

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
STATE OF MARYLAND
FISCAL YEAR ENDED JUNE 30

2016

PETER FRANCHOT, COMPTROLLER



COMPTROLLER
of MARYLAND

Serving the People



STATE OF MARYLAND

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



*Louis L. Goldstein Treasury Building
Annapolis, Maryland*

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Comptroller

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MARY ELLEN BARBERA
*Chief Judge
Court of Appeals of Maryland*

The Seal of the Comptroller of the Treasury



The Comptroller of the Treasury was created by Maryland's state constitution of 1851 to have "general superintendence of the fiscal affairs of the state." More specifically, the Comptroller's Office was created to keep watch over the State Treasurer whose activities had previously gone unchecked. The seal was authorized by the Maryland General Assembly on March 10, 1858, effective May 1, 1858. The seal is decorated with a shield bearing the coats-of-arms (family symbols) of the Calvert and Crossland families — the paternal and maternal lineage of George Calvert, first baronet of Baltimore, who founded the Maryland Colony in 1634.

Among the symbols on the seal are crossed keys, symbolizing security. The two keys also represent the two constitutional fiscal officers: the Comptroller and the Treasurer. By law, all money paid out of the State Treasury has to be approved by both.

Further symbols are: an eagle, symbolizing higher vision; a caduceus, symbol of commerce and negotiation; a safe, symbolizing financial security; and a dog, symbolizing the Comptroller's role as watch dog or guardian of the public trust. The Seal also bears the Comptroller's motto, "Crescite et Multiplicamini," which is Latin for "Increase and Multiply."



A Message from Comptroller Peter Franchot

Over the last ten years, I've been privileged and honored to serve as Comptroller of Maryland – leading an agency of exemplary public servants who share my deeply-held commitment to serving Maryland taxpayers. My agency's successes build upon the tremendous contributions of my two legendary

predecessors – William Donald Schaefer and Louis L. Goldstein – who shared my desire to transform this agency into an institution that delivers the level of service that Marylanders deserve and should expect.

Our continued commitment to delivering new and higher standards of taxpayer service grounded on respect, responsiveness, and results have elevated my office to the most effective and efficient Comptroller's Office in the country. We are proud of this distinction and I am proud of what we have accomplished over my last decade of service as Comptroller. Today, a vast majority of Maryland taxpayers file their tax returns electronically through a secure and convenient web portal, and we are able to efficiently and accurately process their returns and disburse their refunds electronically on average of 3 business days. Through strategic investments in technology, we have recaptured billions of dollars in delinquent taxes rightly owed to the State – much needed revenue that allow us to invest in important public priorities like education, public safety, and environmental protection. We continue to lead the nation in the fight against tax fraud and identity theft, using technological advancements and data analytics to detect and prevent fraudulent tax returns from being processed.

As the state's chief fiscal officer, I am committed to advancing reforms that ensure Maryland's long-term fiscal well-being. I continue to advocate for a multi-year moratorium on new taxes and fees, to encourage large and small businesses to invest and expand their enterprises in this state and allow Maryland families to keep more of what they make. As a member of the Board of Public Works, I've been very proud of the tremendous strides our State has made in making much-needed reforms to our antiquated procurement process. We have significantly reduced the number of single-bid contracts and have seen greater competition in the bidding process of multi-million dollar contracts. I continue to insist on increased participation from our minority and women-owned enterprises, particularly those who own smaller firms across our State, because we need to make sure that our procurement process is fair and open to all interested parties.

As our state continues to face economic and fiscal challenges, I remain committed to working with my colleagues in government to chart a course for a brighter and more prosperous economic future for Maryland.

Comptroller Peter Franchot

COMPTROLLER OF MARYLAND

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Comptroller

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Deputy Comptroller

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The Legacy of Louis L. Goldstein

30TH COMPTROLLER OF MARYLAND FROM 1959 - 1998



Left: 1959 - President Harry S. Truman (center), Comptroller Louis L. Goldstein (back). Right: 1962 - Seated: President John F. Kennedy, Governor J. Millard Tawes. Standing: Woody Strong, President AFL-CIO, Comptroller Louis L. Goldstein, Charles A. Della, Sheldon Chandler.

FROM 1939-1998, Louis L. Goldstein served the citizens of Maryland, as state Delegate, state Senator, senate President, and as Comptroller for nearly 40 years. His legendary career in public service transformed him into one of Maryland's iconic and most-beloved elected officials. His 59 years of service coincided with some of the most defining periods in American history, including the civil rights movement, when Goldstein joined other state leaders in paving the way for reforms that advanced justice, fairness, and equality.



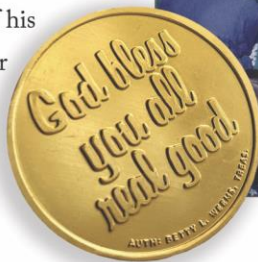
Left: 1978 - Governor Harry Hughes (left) smiles as President Jimmy Carter shakes hands with Comptroller Louis L. Goldstein. Right: 1995 - President Bill Clinton and Comptroller Louis L. Goldstein in Annapolis.



As the state's chief fiscal officer, Goldstein was known for being a thoroughly professional administrator of billions of dollars that our state invested in roads, schools, and hospitals during seven gubernatorial administrations. Under his leadership, the Comptroller's Office was an international leader in the application of technology to financial record keeping and his firm commitment to his fiduciary duties sustained Maryland's AAA bond rating. He enjoyed the same level of respect and admiration from teachers, farmers, shop keepers, and blue-collar workers that he did with presidents, governors, and senators. Despite the fame and power he attained over the course of his career in public life, Goldstein never forgot the passion that motivated him to run for public office – to help others and serve the people.

1975 - State Comptroller Louis L. Goldstein looks over state-of-the-art optical character reader used to feed tax information into a computer. AP PHOTO/WILLIAM SMITH

1998 - Comptroller Louis L. Goldstein and Governor Parris N. Glendening welcome a 4th grade class from Annapolis Elementary School for a discussion on Maryland's first governor, Leonard Calvert.



A Commitment to Serving the People



Comptroller Peter Franchot (right) speaks during a meeting of the Board of Public Works, as State Treasurer Nancy Kopp (left) and Governor Larry Hogan (center) listen.

BUILDING ON THE LEGACIES of my famed predecessors – William Donald Schaefer and Louis L. Goldstein – I remain committed to adopting new and innovative approaches to ensure that my agency continues to provide first-class customer service to Maryland taxpayers. Every day, the 1,100 men and women who work in the Comptroller's Office are fulfilling the agency's pledge to provide respect, responsiveness, and results to Marylanders.

DURING THE 2016 TAX SEASON, my office processed more than 3 million tax returns and issued more than 2.4 million refunds worth more than \$2 billion. In this calendar year, we detected and blocked more than 11,600 fraudulent returns with a dollar value of more than \$20 million thanks to the diligent work of my nationally-renowned Questionable Returns Detection Team. Our staff answered more than 534,000 phone calls, received and responded to more than 47,000 emails, and our 12 regional branch offices assisted more than 100,000 taxpayers over the course of the year. I continue to be proud and appreciative of the great work that my dedicated staff does on a daily basis, and my office continues to be firmly committed to providing Maryland taxpayers with the highest level of service.

Delivering Results for the Taxpayers

INVESTING IN OUR PUBLIC SCHOOLS. As a member of the Board of Public Works, I have voted for more than \$2 billion in school construction projects to expand and renovate our schools and to ensure that our students, teachers, and staff are able to learn and work in safe and equitable facilities. To better prepare our kids to succeed in college and beyond, I believe it is essential that our schools are equipped with proper technology and necessary resources that advance student achievement.



CONSUMER PROTECTION. In my role as the state's chief regulator of alcohol, tobacco, and motor fuel, I am entrusted with ensuring that Marylanders are protected from products that violate state regulations and health laws. In 2016 alone, my office confiscated more than 212,000 packs of cigarettes that were being sold illegally, 352 containers of beer, and 182 gallons of wine and spirits that failed to pass our consumer laws. Additionally, my field enforcement agents conducted more than 130 motor fuel inspections to ensure that fuels that consumers are pumping into their vehicles comply with industry standards.



PROCUREMENT REFORM. Promoting a fair, competitive, and inclusive procurement process remains one of my top priorities as Comptroller. I've used my seat on the Board of Public Works to sound the alarms on single-bid contracts and scrutinize multi-million-dollar contracts to make sure the taxpayers' money are being spent wisely. Procurement reform is not only essential to promoting fiscal responsibility, but a key ingredient in advancing transparency and accountability.



CUSTOMER SERVICE. My agency's continued emphasis on delivering first-class customer service is evident in the work that we do on a daily basis. In our efforts to improve convenience and efficiency, we have invested in technological upgrades to allow more services to be completed online. We also maintain 12 regional branch offices across the State that are able to provide assistance and services to taxpayers, and we have dedicated employees who answer phone calls and emails from Marylanders who reach out to our office.



Looking Ahead



Comptroller Peter Franchot visits schools in Baltimore City and in each county in Maryland. As Chief Financial Officer of the State of Maryland, Comptroller Franchot believes that providing proper maintenance of our schools is fiscally sound and important to providing a positive learning environment for Maryland's students.

DURING MY TRAVELS across our State, I've met countless small business owners and hardworking Marylanders who continue to be affected by the current economic recovery, which remains slow and stagnant. That's why as the state's chief fiscal officer, I continue to advocate for policies that grow the middle class, allow our small businesses to expand and succeed, and create permanent, good-paying jobs. We need to create a business climate that is conducive to growth and success for large and small enterprises, and we must continue to be careful in how we spend the taxpayers' hard-earned money. Equally as important, we must continue to invest in our public education system by providing them with the resources they need to prepare our children to compete and succeed in a 21st century global economy. The future of our State's economic and fiscal prosperity rests on the success of Maryland's next generation, and it is incumbent upon us as policymakers to ensure that we are providing them with the best education we can.



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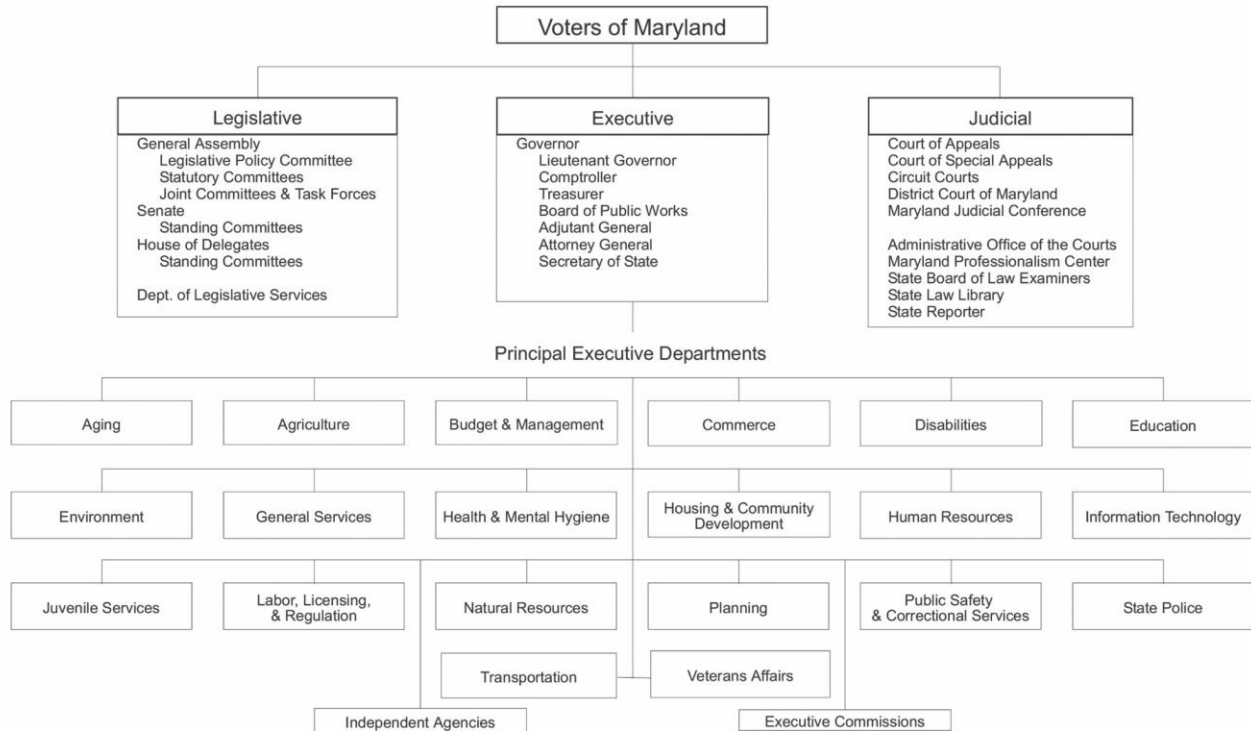
June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

Overview Maryland State Government

OVERVIEW OF MARYLAND STATE GOVERNMENT



STATE OF MARYLAND
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Introductory Section

Comprehensive Annual Financial Report, State of Maryland





Peter Franchot
Comptroller

December 7, 2016

Honorable Members of the General
Assembly and the Governor,
State of Maryland

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the Fiscal Year ended June 30, 2016, includes the financial statements of the State as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every four years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's basic financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Comptroller's Office and other units of the Executive branch of State government. This requirement has been compiled with, and the opinion of SB & Company, LLC, has been included in the financial section of this report. SB & Company, LLC also performed an audit to meet the requirements of the Office of Management and Budget (OMB) 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," and such information is contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities and the College Savings Plans of Maryland are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority, the Maryland Technology Development Corporation and the Maryland Stadium Authority are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

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Background Information on the State:

Maryland ratified the United States Constitution on April 28, 1788. Its capitol is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly, composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by October 1 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, in addition to the general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

Information on the State's Economic Condition:

In the nation as a whole, economic growth since the Great Recession remains muted. Moreover, the fiscal drag from federal budget sequestration and ongoing federal policy uncertainty continue to restrain growth in Maryland and the region. In other words, the economic picture has not changed much, accordingly our outlook remains subdued relative to previous periods of economic expansion. It must be stressed that our outlook calls for improving employment and wages as growth continues, just not at the rates witnessed throughout the expansionary periods of the 1990s and 2000s.

Maryland's economic growth between 2012 and 2015 has been tepid at best, particularly relative to national growth. This coincides with federal budget sequestration. The private sector began to adjust payrolls immediately, even as the bill was being discussed in Congress. Actual austerity measures did not take effect until 2013, at which point the private and public sectors took another hit.

The worst impact of the sequester may be behind us. The decline in the value of intermediate inputs purchased by the Federal Government leveled out at around the same time Maryland's economy returned to growth. That said, the sector will continue to be a drag. The sequester targets will restrain growth in discretionary spending until 2019; therefore an important sector of our economy will remain handicapped. As such, Maryland's economic trajectory should remain tepid relative to the national rate until either sequester is lifted or the next recession.

This will also be a possible positive risk to this forecast. Federal sequestration did close to nothing to fix the federal fiscal quagmire. In fact, it may have had a negative effect; the economic impact of the half-measures reduced economic growth without solving longer term spending issues. The real issues for the federal fiscal outlook are entitlements (also related to demographics). Should Congress address the real problem, and ameliorate or remove the sequester altogether, Maryland will grow at a higher trajectory.

Maryland's economy will expand in 2016 and growth in employment is expected to rise to 1.6% from 1.5% in 2015. Employment growth in 2017 is expected to slow as a result of the economy reaching full employment. Growth in the average wage for 2016 is expected to equal 1.7%, a somewhat disappointing factor. In addition to the reasons that have been discussed throughout this summary, there appear to have been timing issues, such as an extra pay period at the end of 2015, that inflated average wage growth in 2015 (of 3.0%) at the expense of reported wage growth in 2016. The rate of wage growth is expected to increase throughout the out years as the labor market tightens and workers gain experience, but to be sure, the expected rate of wage growth is low relative

to historical norms. Aggregate wage growth and personal income measures increase as employment and the average wage improves. The outlook for the largest general fund revenue source, the income tax, is relatively strong. This is due to Maryland's strong concentration of wealthy taxpayers. Income growth at the higher end has been substantial (volatile as well), buoying aggregate receipts to growth rates of 4.9% fiscal year to date.

Real estate and construction are relative bright spots in the recent history and outlook. The number of houses in foreclosure continues to decrease, while sales have been strong. The median existing house price has been stagnant or declining in the past two years but is up 3.4% year to date as of October. Employment in residential construction grew 4.7% in 2015 and is trending upwards. Sales and Use Tax (SUT) receipts point to strength in the construction sector as a whole. In fiscal year 2016, SUT receipts from the construction sector grew by 4.4%, following growth of 6.0% in fiscal year 2015.

Inflation has been historically low since the Great Recession, and driven lower more recently by falling oil prices. As measured by the Consumer Price Index, inflation, near zero for most of 2015, has risen above 1.5% as of October. All else equal, lower inflation would mean lower nominal wage growth, as employers do not need to increase nominal wages by as much to keep up with inflation. An increase in inflation would mean faster nominal wage growth, and therefore income tax revenues, than would otherwise be the case. Increasing nominal prices could, by the same logic, lead to faster growth in nominal SUT revenue. When all else is not equal, the net effect can depend on the source of inflation. If the source is negative supply shock, such as during the 1970s oil price spike, real growth, and ultimately tax collections, may be harmed.

As usual, risks abound. Federal Reserve action to tighten monetary policy is imminent; there is a risk that the market reacts in a negative manner that gains traction or that resulting higher interest rates slow broader growth in such a way that the economy again falters. Additionally, with the new incoming presidential administration there is considerable federal policy uncertainty. Some policies that may or may not come to be could help the Maryland economy, while others could hurt it. Another risk is oil prices. While lower oil prices have created a consumer dividend for an extended period of time, OPEC has recently pledged to cut production. A resulting increase in oil prices would be a drag on average consumer spending in Maryland. Where oil prices end up depends predominantly on the size of OPEC production cuts and the ability of shale oil producers in the United States to increase their output in response to a rise in prices.

Positive risks include the aforementioned reduction or abolition of federal sequester, as well as the expansion of the Panama Canal for the Port of Baltimore. The Panama Canal widening, which allows so called "post-Panamax ships" to navigate the Canal, permits large cargo ships to sail from Asia to the East Coast. Prior to the project's completion in June 2016 that cargo was typically delivered to the West Coast and then transported by rail and road throughout the country. Baltimore is one of the few ports on the East Coast with the depth and infrastructure to handle these types of ships and will see increased need for labor and capital, of which the proposed expansion of the Howard Street rail tunnel is an example. Should there be a meaningful surge in activity and jobs, there will also be positive indirect and induced impacts.

Major Initiatives and Long Term Financial Planning:

The fiscal year 2017 budget is in line with Spending Affordability Committee recommendations. It results in a balance in the State Reserve Fund of \$1.1 billion, or 6.3% of revenues, the highest level in a decade. With the enactment of the mandate relief, the budget is expected to be structurally balanced through fiscal year 2021.

The 2017 budget includes funds for business investment and workforce development. It contains \$20 million to invest in aerospace and defense research and tax credits of \$14 million for the biotechnology and cybersecurity industries to capitalize on Maryland's strategic advantages in these business sectors. The State's twelve Workforce Investment Areas will be provided \$27 million, and \$17 million is budgeted for job centers providing training referrals and job counseling.

Maryland's public colleges generally will hold tuition increases to 2%. Local community colleges are provided \$314 million for formula and grant funding and contributions toward retirement costs, an increase of \$18 million (6%) over fiscal year 2016. The Seller program for Maryland's independent colleges and universities is fully funded at \$51 million, an increase of \$8 million (19%) over fiscal year 2016.

The education budget includes a \$140 million increase in State aid to public schools to \$6.3 billion. The budget for the Child Care Subsidy is \$97 million, including an increase of 8% in State funds, and \$429 million, including \$74 million in additional funds, for school lunch and breakfast programs. The Developmental Disabilities Administration is budgeted \$1.1 billion in fiscal year 2017, an increase of \$71 million (6%) over the prior year, including \$36 million to fully fund the minimum wage increase for service providers.

The fiscal year 2017 budget includes \$35 million for Renewable and Clean Energy Programs and Initiatives, \$21 million for Energy Efficiency and Conservation Programs, \$11 million for a new Animal Waste-to-Energy Program, and \$4 million for the Jane E. Lawton Conservation Loan Program and State Agency Loan Program. A new Energy Water Infrastructure Program is provided with funding of \$16 million to improve energy efficiency and reduce operating costs at water and wastewater treatment plants. Police aid to local governments totals \$74 million, a 10% increase over fiscal year 2016. The budget also provides \$8 million to continue a multi-year fleet upgrade for the Maryland State Police as well as funding to begin operation of the new flight training simulator for the State's Medevac helicopter fleet.

Maryland's fiscal year 2017 capital budget totals \$4.5 billion. Borrowing for capital projects in fiscal year 2017 is limited to \$994 million, the lowest level since fiscal year 2011. The five-year Capital Improvement Program continues to hold new debt below \$1 billion for each year through 2021, slowing the growth of future debt service expenses and saving more than \$200 million cumulatively through 2025.

Transportation projects are provided \$3.1 billion in the 2017 capital budget. Of this amount, \$1.1 billion is expected to be received from federal funds. Highway projects constitute \$1.6 billion, including \$565 million in federal aid, the largest share of the capital program for transportation. Mass transit's capital budget totals \$734 million, with \$458 million coming from federal sources. Improvements in the Washington area include \$349 million for Purple Line Transitway construction. School construction projects included in the capital budget are \$314 million, approximately one-third of fiscal year 2017 capital spending. The existing Baltimore City Detention Center will be demolished and design of the replacement facility begun using \$35 million in the fiscal year 2017 capital budget.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 36 consecutive years (Fiscal Years ended 1980 – 2015). We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Franchot". The signature is fluid and cursive, with a large, stylized "P" and "F".

Peter Franchot,
Comptroller of Maryland



Financial Section

Comprehensive Annual Financial Report, State of Maryland





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
Comptroller of Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The State's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain Economic Development Loan Programs; the Maryland Lottery and Gaming Control Agency; the Maryland Transportation Authority; certain Economic Development Insurance Programs; certain foundations included in the higher education component units; the Maryland Technology Development Corporation; and the Investment Trust Fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the State, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements that we did not audit which are listed above represent the percentages of the total assets, total net position, and total revenues of the accompanying financial statements as listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Position	Total Operating Revenues
Business-Type Activities			
Major -			
Certain Economic Development Loan Programs	19.1 %	5.6 %	2.1 %
Maryland Lottery and Gaming Control Agency	2.0	0.0	63.0
Maryland Transportation Authority	52.6	51.0	17.1
Non-Major -			
Economic Development Insurance Programs	0.6	0.9	0.0
Total percentage of business-type activities	74.3 %	57.5%	82.2 %
Component Units			
Major -			
Certain foundations included in the higher education component units	12.5%	15.7 %	10.7%
Non-Major -			
Maryland Technology Development Corporation	0.9	1.2	1.6
Total percentage of component units	13.4 %	16.9 %	12.3 %
Fiduciary Funds			
Investment Trust Fund	6.0%	6.5 %	69.0 %



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business- type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; required supplemental schedules of funding progress and employer contributions for the Maryland Transit Administration Retiree Healthcare Benefit, and Other Post-employment Benefits Plan; required supplemental schedules of employer contributions and net pension liability for Maryland State Retirement and Pension System and Maryland Transit Administration Pension Plan; required supplemental schedule of changes in net pension liability and related ratio and the schedule of investment returns for Maryland Transit Administration Pension Plan; and the respective budgetary comparison for the budgetary general, special and Federal funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements, introductory and statistical sections, and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

The combining financial statements and financial schedules required by law are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion and based on the reports of the other auditors, the combining financial statements and financial schedules required by law, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections as listed in table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Hunt Valley, Maryland
December 7, 2016

SB & Company, LLC

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2016. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report, and the State's financial statements which follow this section.

Financial Highlights

Government-wide

- Maryland reported a deficit of \$2.4 billion in fiscal year 2016 and a deficit of \$3.2 billion in fiscal year 2015.
- Of the deficit in fiscal year 2016, a deficit balance of \$23.2 billion was reported as total unrestricted net position, which includes a \$25.7 billion deficit balance in governmental activities and a \$2.5 billion balance in business-type activities.
- The State's total net position increased by \$783 million as a result of this year's operations. The net position for governmental activities increased by \$411 million. Net position of business-type activities increased by \$372 million.
- The State's governmental activities had total expenses of \$34.6 billion; total revenues of \$34.0 billion; and net transfers from business-type activities of \$989 million for a net increase of \$411 million.
- Business-type activities had total expenditures of \$3.6 billion; program revenues of \$5.0 billion; general revenues of \$16 million; transfers out of \$989 million; and a special fund item – transfer of operations of \$103 million for a net increase in net position of \$372 million.
- Total State revenues were \$39.1 billion, while total costs for all programs were \$38.2 billion.

Fund Level

- Governmental funds reported a combined fund balance of \$2.7 billion, an increase of \$721 million (36.3%) from the prior year.
- The general fund reported an unassigned fund balance deficit of \$509 million and a remaining fund balance (nonspendable, restricted, and committed) of \$2.3 billion, compared to an unassigned fund balance deficit of \$766 million and a remaining fund balance of \$2.1 billion last year. This represents a net increase of \$513 million in general fund, fund balance. The total unassigned fund balance deficit in the governmental funds was \$783 million in the current year and \$1.3 billion in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of \$3.5 billion in 2016, compared to \$3.3 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end were \$18.3 billion, a net increase of \$770 million in 2016 (4.4%) over the prior year.
- \$1.5 billion General Obligation Bonds and \$300 million Transportation Bonds were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include two statements.

The *Statement of Net Position* presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position". Over time, increases and decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities – The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with the State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency (MLGCA), the Maryland Transportation Authority and the Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the College Savings Plans of Maryland and other non-major proprietary activities. All of these entities operate similarly to private

sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority, Maryland Technology Development Corporation and Maryland Stadium Authority.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 36 and 38) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Other amounts that otherwise meet the definition of a revenue or expense that relate to a future period are deferred only on the government-wide statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.
- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 31 - 34 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the

fiscal year. Such information may be useful in evaluating the State's near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, are provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 35 and 36 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide business-type financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for business in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development – Loan Programs, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency and the Maryland Transportation Authority. Data for the non-major enterprise funds, Economic Development – Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 41 – 45 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State's own programs. Fiduciary funds use accrual accounting.

The State's fiduciary funds include the Pension and Other Employee Benefits Trust Funds, the Investment Trust Fund and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan, the Postretirement Health Benefits Trust Fund and the Deferred Compensation Plan. The Investment Trust Fund accounts for the transactions, assets, liabilities and net position of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 46 – 47 of this report.

Combining Financial Statements, Component Units – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Position and the Statement of Activities. Combining Statement of Net Position and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 49 – 51 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 53 – 120 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special and federal funds, along with a reconciliation of the statutory and Accounting Principles Generally Accepted in the United States of America (GAAP) General and Special Revenue Fund, fund balances at fiscal year end and related notes. This report also presents certain required supplementary information concerning the State's contributions and liabilities for its pension plans and contributions and progress in funding obligations to provide post-employment healthcare benefits and related notes. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State's combined net position (governmental and business-type activities) totaled \$2.4 billion deficit at the end of 2016 and \$3.2 billion deficit at the end of 2015.

Net Position as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets.....	\$ 6,945	\$ 6,169	\$ 8,258	\$ 8,168	\$ 15,203	\$ 14,337
Capital assets.....	22,494	21,586	5,931	5,830	28,425	27,416
Total assets.....	29,439	27,755	14,189	13,998	43,628	41,753
Total deferred outflows of resources..	4,783	2,154	84	50	4,867	2,204
Long-term liabilities.....	37,470	33,585	5,764	5,787	43,234	39,372
Other liabilities.....	4,965	4,999	797	919	5,762	5,918
Total liabilities.....	42,435	38,584	6,561	6,706	48,996	45,290
Total deferred inflows of resources...	1,849	1,798	74	76	1,923	1,874
Net position:						
Net invested in capital assets.....	15,311	14,738	3,278	3,071	18,589	17,809
Restricted.....	299	233	1,902	1,982	2,201	2,215
Unrestricted.....	(25,672)	(25,444)	2,458	2,213	(23,214)	(23,231)
Total net position.....	\$ (10,062)	\$ (10,473)	\$ 7,638	\$ 7,266	\$ (2,424)	\$ (3,207)

The largest portion of the State's net position, \$18.6 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding, as adjusted by any deferred inflows or deferred outflows of resources. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net position, \$2.2 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net position, a deficit of \$23.2 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Changes in Net Position

For the Year Ended June 30,

(Expressed in Millions)

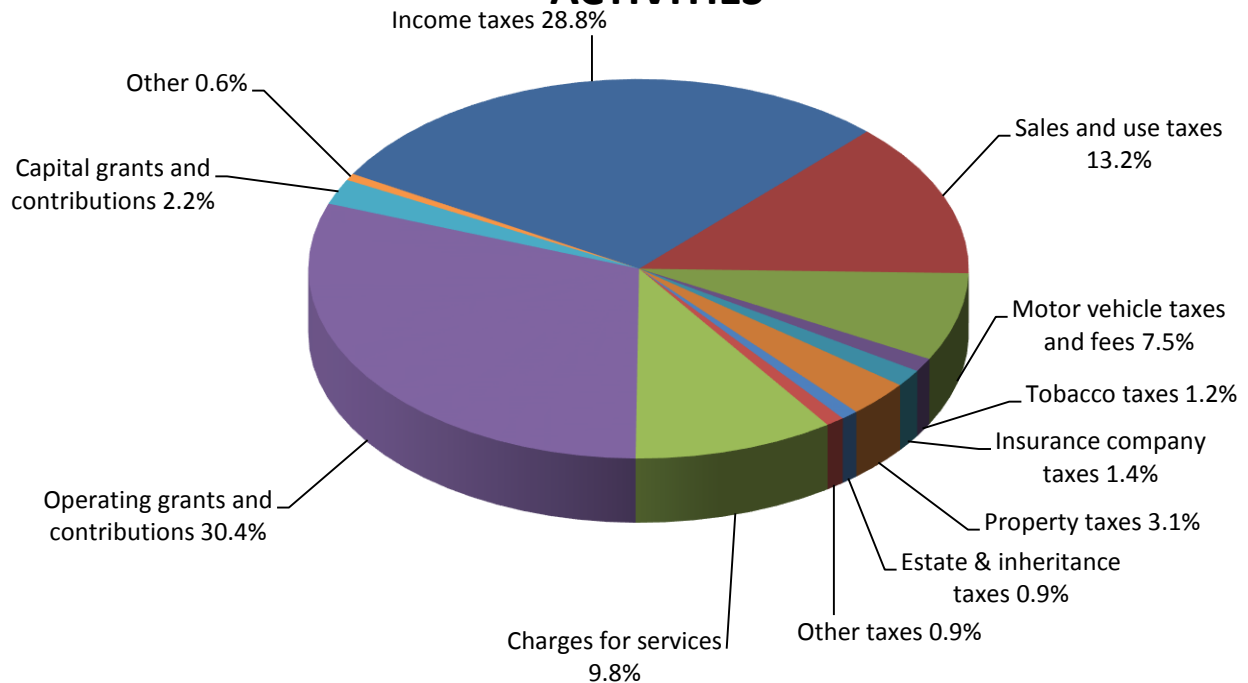
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,338	\$ 3,202	\$ 4,894	\$ 4,723	\$ 8,232	\$ 7,925
Operating grants and contributions.....	10,343	10,263	131	125	10,474	10,388
Capital grants and contributions.....	741	775			741	775
General revenues:						
Income taxes	9,797	9,446			9,797	9,446
Sales and use taxes	4,506	4,412			4,506	4,412
Motor vehicle taxes	2,555	2,383			2,555	2,383
Tobacco taxes.....	395	391			395	391
Insurance company taxes	491	506			491	506
Property taxes.....	1,053	1,003			1,053	1,003
Estate & inheritance taxes	289	267			289	267
Other taxes.....	312	307			312	307
Unrestricted investment earnings	198	187	16	16	214	203
Total revenues.....	34,018	33,142	5,041	4,864	39,059	38,006
Expenses:						
General government.....	880	862			880	862
Health and mental hygiene	12,215	11,996			12,215	11,996
Education.....	7,860	7,766			7,860	7,766
Aid for higher education	2,351	2,201			2,351	2,201
Human resources	2,510	2,545			2,510	2,545
Public safety.....	2,031	2,034			2,031	2,034
Transportation	3,707	3,611			3,707	3,611
Judicial.....	734	699			734	699
Labor, licensing and regulation	313	325			313	325
Natural resources and recreation	255	276			255	276
Housing and community development.....	283	267			283	267
Environment	112	109			112	109
Agriculture	95	89			95	89
Commerce.....	84	100			84	100
Intergovernmental grants	663	600			663	600
Interest	503	476			503	476
Economic development insurance programs.....			3	3	3	3
Economic development loan programs			412	448	412	448
Unemployment insurance program			571	680	571	680
Maryland Lottery and Gaming Control Agency.....			1,994	1,846	1,994	1,846
Maryland Transportation Authority			539	490	539	490
Maryland Correctional Enterprises			58	52	58	52
Total expenses	34,596	33,956	3,577	3,519	38,173	37,475
Increase (decrease) in net position						
before transfers	(578)	(814)	1,464	1,345	886	531
Transfers.....	989	951	(989)	(951)		
Special Item - Transfer of operations			(103)		(103)	
Change in net position.....	411	137	372	394	783	531
Net position – beginning	(10,473)	(10,610)	7,266	6,872	(3,207)	(3,738)
Net position – ending	\$ (10,062)	\$ (10,473)	\$ 7,638	\$ 7,266	\$ (2,424)	\$ (3,207)

The following table compares financial information from the Government-wide Statement of Activities for this and the prior fiscal year to indicate how the State's revenues and expenses changed from year to year.

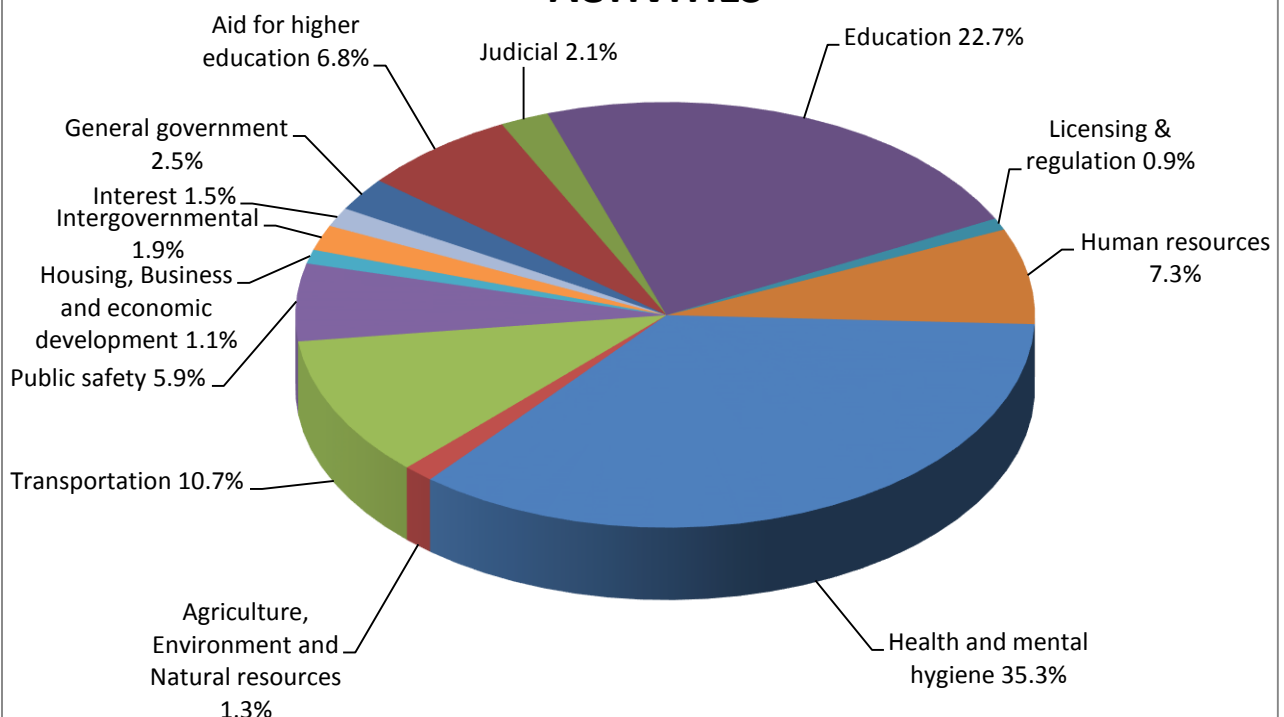
Analysis of Changes in Net Position
For the Year Ended June 30, 2016, Compared to June 30, 2015
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	Amount of Increase/ (Decrease)	Percentage of Increase/ (Decrease)	Amount of Increase/ (Decrease)	Percentage of Increase/ (Decrease)	Amount of Increase/ (Decrease)	Percentage of Increase/ (Decrease)
Revenues:						
Program revenues:						
Charges for services	\$ 137	4.3%	\$ 171	3.6%	\$ 308	3.9%
Operating grants and contributions	80	0.8%	6	4.8%	86	0.8%
Capital grants and contributions	(34)	-4.4%			(34)	-4.4%
General revenues:						
Income taxes	351	3.7%			351	3.7%
Sales and use taxes	94	2.1%			94	2.1%
Motor vehicle taxes	172	7.2%			172	7.2%
Tobacco taxes	4	1.0%			4	1.0%
Insurance company taxes	(15)	-3.0%			(15)	-3.0%
Property taxes	50	5.0%			50	5.0%
Estate & inheritance taxes	22	8.2%			22	8.2%
Other taxes	5	1.6%			5	1.6%
Unrestricted investment earnings	11	5.9%		0.0%	11	-5.4%
Total revenues	877	2.6%	177	3.6%	1,054	2.8%
Expenses:						
General government	18	2.1%			18	2.1%
Health and mental hygiene	219	1.8%			219	1.8%
Education	94	1.2%			94	1.2%
Aid for higher education	150	6.8%			150	6.8%
Human resources	(35)	-1.4%			(35)	-1.4%
Public safety	(3)	-0.1%			(3)	-0.1%
Transportation	96	2.7%			96	2.7%
Judicial	35	5.0%			35	5.0%
Labor, licensing and regulation	(12)	-3.7%			(12)	-3.7%
Natural resources and recreation	(21)	-7.6%			(21)	-7.6%
Housing and community development	16	6.0%			16	6.0%
Environment	3	2.8%			3	2.8%
Agriculture	6	6.7%			6	6.7%
Commerce	(16)	-16.0%			(16)	-16.0%
Intergovernmental grants	63	10.5%			63	10.5%
Interest	27	5.7%			27	5.7%
Economic development loan programs			(35)	-7.8%	(35)	-7.8%
Unemployment insurance program			(109)	-16.0%	(109)	-16.0%
Maryland Lottery and Gaming Control Agency			148	8.0%	148	8.0%
Transportation Authority			49	10.0%	49	10.0%
Maryland Correctional Enterprises			6	11.5%	6	11.5%
Total expenses	\$640	1.9%	\$59	1.7%	\$699	1.9%

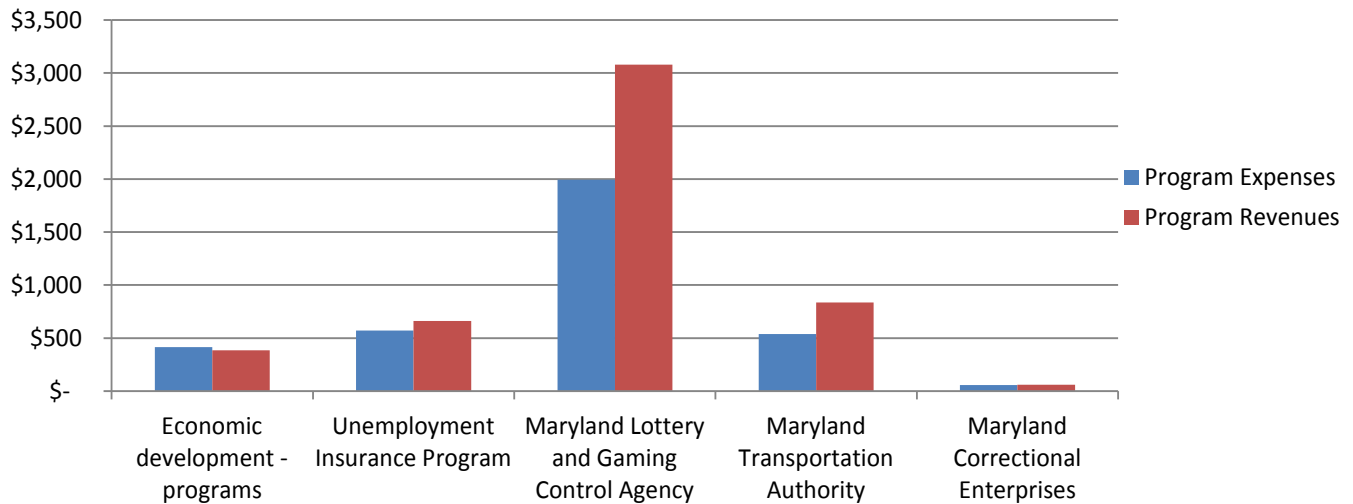
2016 REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



2016 EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



2016 Expenses and Program Revenues - Business-Type Activities (Expressed in Millions)



Governmental Activities

- Liabilities and deferred inflows exceeded assets and deferred outflows by \$10.1 billion at the end of fiscal year 2016. For current year, there was an increase in net position of \$411 million from the previous year.
- Included in the increase in net position, capital assets increased by \$908 million, deferred outflows, net of deferred inflows, increased by \$2.6 billion, and long-term liabilities increased by \$3.9 billion. The major capital asset events are discussed in the Capital Assets section of this analysis. Among the components of the increase in long-term liabilities were increases in bonds and notes payable (\$914 million); the State's net pension liability (NPL) (\$2.8 billion); and net other post-employment benefits obligation (OPEB) (\$205 million). The increase in bonds and notes payable is discussed in the Long-Term Debt section of this analysis. The increase in the NPL of \$2.8 billion is offset by the net increase in deferred outflows over deferred inflows related to pensions of \$2.8 billion. The increase in deferred outflows for pensions is primarily for a difference between projected and actual earnings on pension plan investments and changes in actuarial assumptions and will be recognized as a reduction of the NPL in future years. The NPL and deferred outflows and deferred inflows related to pensions are discussed in Note 15 to the financial statements. The increase in the net OPEB obligation resulted from the underfunding of the OPEB annual required contribution.

Business-type Activities

Business-type activities increased the State's net position by \$1.5 billion before transfer of \$989 million to governmental activities and a special item of \$103 million for a transfer of certain economic development activities to the Maryland Technology Development Corporation, for a net increase of \$372 million in net position. The increase compares to an increase of \$1.3 billion before transfers of \$951 million and a pension-related beginning net position reduction of \$191 million in the prior year. Key elements of this increase are as follows:

- Net position of the Maryland Transportation Authority increased by \$312 million compared to an increase of \$175 million in the prior year. Net operating income was \$414 million compared to \$442 million in the prior year. The decrease in beginning net position for pension-related adjustments in fiscal year 2015 was \$168 million.
- The Unemployment Insurance Program net position increased by \$91 million in 2016. Net position increased by \$41 million in 2015. Net operating income was \$57 million compared to the prior year's operating deficit of \$1 million. Charges for services (unemployment taxes) decreased by \$51 million (7.6%) and benefit payments were reduced by \$109 million (16.0%). Both the amount of taxes paid by Maryland employers and the amount of benefits received by the unemployed are products of the economic climate. Federal payments for extended benefits and other programs decreased by \$8 million (40.3%).
- Net position for the Economic Development Loan Programs decreased by \$34 million compared to an increase of \$3 million in the prior year. This resulted primarily from activity in the Maryland Water Quality Administration and Maryland Venture Fund. Net operating income of the Administration increased by \$48 million, primarily for an increase in Bay Restoration Fund wastewater and septic fees of \$12 million and a decrease in wastewater treatment plant and sewer upgrade grants and septic system projects of \$30 million. This was offset by the transfer of the Maryland Venture Fund's net position to the Maryland Technology Development Corporation, a component unit, on October 1, 2015, in the amount of \$103 million in a transaction considered a special item. The special item is discussed in Note 22 to the financial statements.
- Lottery tickets sales were \$1.9 billion in 2016, an increase of \$145 million from the prior year. In 2016, MLGCA oversaw the operation of five casinos. Gross video lottery terminal and table game revenue was \$1.1 billion in 2016, an increase of \$106 million (10.2%) over the prior year. Operating expenses increased by \$149 million (8.1%) in 2016. The increase was partly due to one casino which opened in 2015 fully operating in 2016. Transfers to governmental activities by MLGCA were \$1.1 billion in 2016, an increase of \$58 million (5.6%) over 2015.

Financial Analysis of the State's Funds

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of \$2.7 billion, an increase of \$721 million from the prior year. The combined fund balance includes a deficit of \$783 million in unassigned for governmental funds, including a deficit of \$509 million for the General Fund, a deficit of \$125 million for the special revenue fund, and a deficit of \$149 million for the other governmental funds. The remainder of the fund balance is nonspendable, restricted, or committed based on the constraints on the specific purposes for which amounts in that fund can be spent. The remainder of the fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable (\$830 million); 2) restricted by outside parties or to pay debt service on general obligation bonds and transportation bonds from specific taxes (\$299 million); or 3) committed to legislated purposes or encumbered as committed fund balance based on the constraints and approval in place at year end or where appropriate when existing resources are not sufficient to liquidate encumbrances (\$2.4 billion). Included in committed fund balance is \$871 million in the "State Reserve Fund" which is set aside to meet future financial needs in circumstances that are not expected to occur routinely. By law, the Governor must appropriate to the State Reserve Fund, the General Fund surplus of the second preceding fiscal year that exceeds \$10,000,000.

General Fund

The General Fund is the major operating fund of the State. At the end of the current fiscal year, the unassigned fund balance deficit of the General Fund was \$509 million, while total fund balance was \$1.8 billion. The fund balance of the State's General Fund increased by \$513 million during 2016, compared to an increase of \$145 million for 2015. Revenues increased by \$760 million (2.7%) to \$29.2 billion while expenditures increased by \$299 million (1.0%) to \$29.2 billion.

The increase in total revenue was primarily composed of \$414 million from income taxes, a 4.4% increase from the prior year, principally from salary and wage growth.

General Fund expenditures increased by \$299 million. Expenditures for health and mental hygiene increased by \$198 million (1.7%), primarily for increased Medicaid enrollment as a result of the Affordable Care Act.

Transfers in to the General Fund were \$1.2 billion in 2016, and increase of \$63 million (5.6%) over 2015. Transfers consisted primarily of \$1.1 billion and \$1.0 billion, respectively, transferred from MLGCA. Transfers out from the general fund were \$601 million this year compared to \$440 million for the prior year. This increase was due primarily to an increase of \$112 million to supplement revenues of the general obligation debt service fund.

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was \$111 million as of June 30, 2016, a decrease of \$245 million compared to an increase of \$1 million in the prior fiscal year. Revenues increased by \$38 million (1.0%), expenditures increased by \$205 million (4.9%), and other sources of financial resources decreased by \$79 million. The increase in revenues was primarily from an increase in motor vehicle taxes and fees of \$171 million (7.2%) as a result of greater fuel usage resulting from lower average gasoline prices, partially offset by a decrease of \$114 million (13.7%) in federal revenues. The increase in expenditures was primarily from an increase in capital outlays. The decrease in other sources of financial resources was substantially due to a decrease in bond issues made during the year, including premiums received and net of amounts paid to refund previously issued debt (\$125 million).

Budgetary Highlights

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the year are summarized for the General Fund as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

Overall, the change between the original and final amended general fund budget was an increase of \$207 million, or 1.3%. The \$15 million variance for housing and community development is for capital programs that had been funded through the use of taxable general obligation bonds. The \$15 million variance for State Police is for cost of living adjustments and State Law Enforcement Officers' Labor Alliance adjustments (\$5.3 million) and deficiency appropriations for prior year general fund shortfalls and turnover reduction (\$9.7 million). Deficiency appropriations for the State Reserve Fund include funds for statewide IT computer upgrades (\$2.5 million), a four-year economic development opportunity with Northrop Grumman (\$20 million), and \$10 million for Catastrophic Event Fund expenditures.

The difference between the final budget, \$16.7 billion, and actual expenditures, \$16.1 billion, was \$590 million, or 3.5%. Of this amount, \$84 million was returned to the general fund, and \$506 million was encumbered for future spending. The variance within the Department of Legislative Services (\$13 million) was primarily due to encumbrances for capital items for legislative buildings. For Financial and Revenue Administration, the variance included canceled appropriations of \$3.3 million for the Homeowner's Tax Credit Program and \$6.8 million attributable to not needing funds for video lottery terminals at the casinos. The variance for Health and Mental Hygiene is attributable to reversions where expenditures were lower than projected in the following programs: Medicaid somatic and behavioral health provider reimbursements (\$302 million), community services for individuals with developmental disabilities (\$17 million), and the Kidney Disease Program (\$1.1 million). The variance for Commerce (\$28 million) was primarily attributable to encumbered funds for marketing, small business assistance, and grants, largely stem cell research grants. Juvenile Services actual spending decreased for a decrease in residential youth per diem payments (\$20 million) and encumbrances for future spending for phone systems, equipment, and vehicle replacements (\$4.8 million).

Significant Differences between Original Budget, Final Budget, and Actual Amounts

for the year ended June 30, 2016 (Expressed in Thousands)

General Fund

	Original Budget	Final Budget	Original versus Final Budget	Percentage Change	Actual Amounts	Final Budget versus Actual	Percentage Change
Expenditures and encumbrances by function:							
Payments of revenue to civil divisions of the State	\$ 157,479	\$ 157,479		0.0%	\$ 157,479		0.0%
Public debt	252,400	252,400		0.0%	252,400		0.0%
Legislative	96,723	96,723		0.0%	83,775	\$ 12,948	13.4%
Judicial review and legal	588,090	595,991	\$ 7,901	1.3%	568,380	27,611	4.6%
Executive and administrative control	250,809	258,058	7,249	2.9%	232,821	25,237	9.8%
Financial and revenue administration	224,095	225,710	1,615	0.7%	210,964	14,746	6.5%
Budget and management	90,276	91,060	784	0.9%	88,532	2,528	2.8%
General services	62,096	66,684	4,588	7.4%	61,618	5,066	7.6%
Natural resources and recreation	57,087	58,239	1,152	2.0%	57,249	990	1.7%
Agriculture	26,743	27,425	682	2.6%	27,215	210	0.8%
Health, hospitals and mental hygiene	4,173,115	4,239,912	66,797	1.6%	3,913,795	326,117	7.7%
Human resources	623,325	626,543	3,218	0.5%	610,901	15,642	2.5%
Labor, licensing and regulation	47,967	49,211	1,244	2.6%	43,907	5,304	10.8%
Public safety and correctional services	1,174,755	1,229,846	55,091	4.7%	1,182,718	47,128	3.8%
Public education	7,830,404	7,940,313	109,909	1.4%	7,888,631	51,682	0.7%
Housing and community development	9,213	24,213	15,000	162.8%	16,131	8,082	33.4%
Commerce	105,779	106,061	282	0.3%	77,462	28,599	27.0%
Environment	33,136	33,611	475	1.4%	32,331	1,280	3.8%
Juvenile services	290,122	292,436	2,314	0.8%	267,537	24,899	8.5%
State police	242,027	257,056	15,029	6.2%	256,665	391	0.2%
State reserve fund	200,000	113,935	(86,065)	-43.0%	92,500	21,435	18.8%
Reversions	(30,000)	(30,000)		0.0%		(30,000)	100.0%
Total expenditures and encumbrances	\$16,505,641	\$16,712,906	\$ 207,265	1.3%	\$16,123,011	\$ 589,895	3.5%

Capital Assets and Debt Administration

Capital assets

At June 30, 2016, the State had invested \$28.4 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled \$1.4 billion (\$1.3 billion for governmental activities and \$138 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was \$1.0 billion (an increase of \$908 million for governmental activities and an increase of \$101 million for business-type activities).

Capital Assets as of June 30,
(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and improvements.....	\$ 3,526	\$ 3,452	\$ 397	\$ 392	\$ 3,923	\$ 3,844
Art and historical treasures.....	22	23			22	23
Structures and improvements.....	3,835	3,676	128	125	3,963	3,801
Equipment.....	830	863	77	87	907	950
Infrastructure.....	9,498	9,422	4,042	3,874	13,540	13,296
Construction in progress.....	4,783	4,150	1,287	1,352	6,070	5,502
Total.....	\$ 22,494	\$ 21,586	\$ 5,931	\$ 5,830	\$ 28,425	\$ 27,416

Major capital asset events during the current fiscal year for governmental activities include continued widening and/or expansion of existing highways and bridges, and various transit, port and motor vehicle administration construction projects; the preservation of agricultural and open space land through the purchase of easements; improvements to veterans building at Charlotte Hall; improvements to the statewide telecommunications network including One Maryland broadband wiring and high speed data network wiring; energy efficiency improvement in the State buildings; building improvements at correctional facilities; construction and improvements of armories; renovation of Camp Fretterd Military Command Center; capital lease of voting equipment and booths; acquisition of additional mainframe computer for Annapolis Data Center; and software development for CARES project and Child Support Enforcement System of the Department of Human Resources. Elements of increases in capital assets of business-type activities include the preservation of the Inter-County Connector (ICC/MD200) and the expansion of the electronic toll lane project on the JFK Memorial Highway (I-95), which resulted in increases in infrastructure, and restoration of existing facilities.

Additional information on the State's capital assets can be found in footnote 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2016, the State had outstanding bonds totaling \$17.2 billion. Of this amount, \$9.5 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining \$7.7 billion were secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds (backed by the State).....	\$ 9,465	\$ 8,677			\$ 9,465	\$ 8,677
Transportation Bonds (backed by specific revenues) .	2,146	2,020			2,146	2,020
Revenue bonds (backed by specific revenues)			\$ 5,631	\$ 5,721	5,631	5,721
Total.....	\$ 11,611	\$ 10,697	\$ 5,631	\$ 5,721	\$ 17,242	\$ 16,418

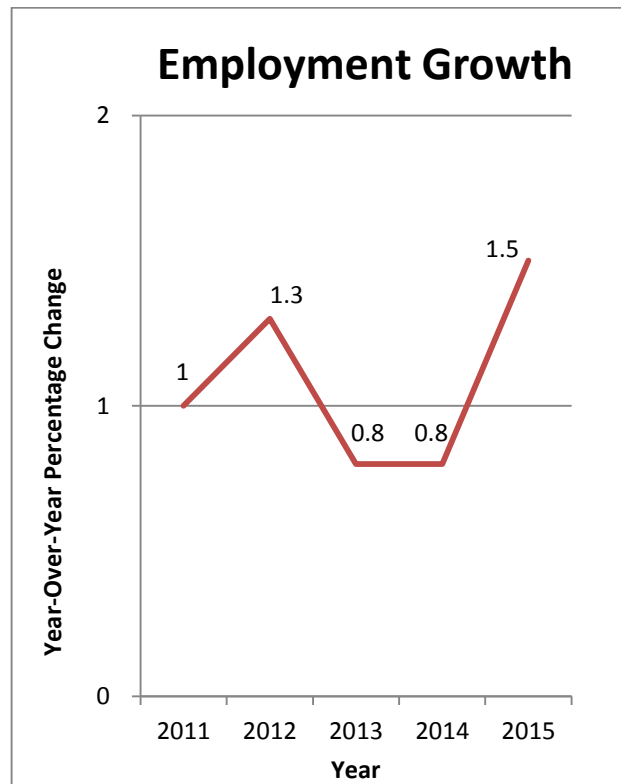
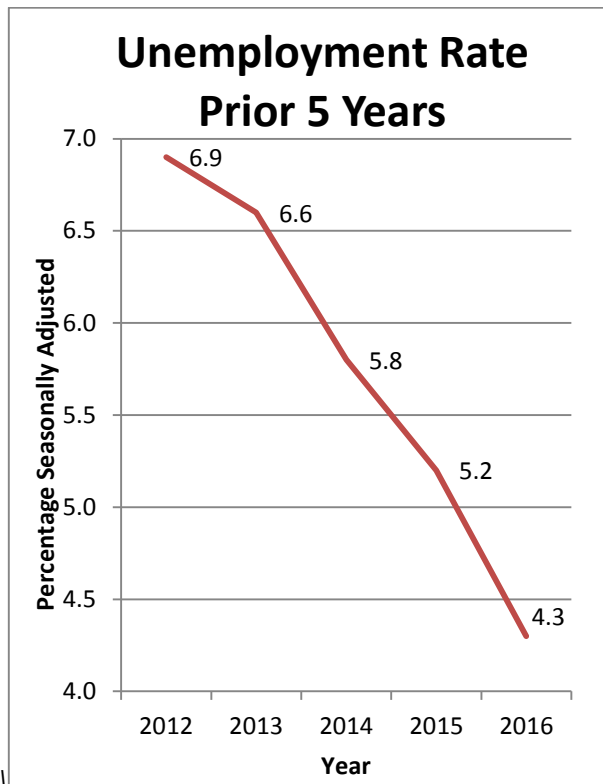
The total increase in bonded debt in the current fiscal year was \$824 million (\$788 million increase related to general obligation bonds, \$126 million increase related to transportation bonds, and \$90 million decrease related to revenue bonds). The State's general obligation bonds are rated Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2016, the State issued general obligation debt totaling \$1.5 billion at a premium of \$223 million.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed \$4.5 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2016, was \$2.9 billion. The actual amount in Consolidated Transportation Bonds outstanding was \$2.1 billion.

Additional information on the State's long-term debt can be found in footnote 11 of this report.

Economic Factors and Next Year's Budget

The forecast of the Maryland economy by the Board of Revenue Estimates is the basis for Maryland's revenue outlook. Employment growth of 1.6% and 1.0% is expected in calendar years 2016 and 2017, respectively. The unemployment rate was 4.3% in June 2016 and has continued a downward trend since 2012. Historical employment growth and the unemployment rate for the past five years are depicted below.



Growth in personal income of 3.3% and 4.0% in calendar years 2016 and 2017, respectively, is expected. General fund revenues are estimated to increase by 2.7% in fiscal year 2017.

Maryland's budget in fiscal year 2017 is \$42.0 billion, a 4% increase over 2016. Key provisions of the budget include:

- Appropriations to the Reserve Fund and debt service fund from the general fund are \$235 million and \$283 million, respectively;
- Appropriations to the State pension system are \$1.62 billion.
- Additional funds of \$33 million are provided for a 2% increase for most health care providers.
- The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is appropriated an additional \$14 million.
- Aid to local governments is \$7.4 billion, a \$235 million increase.
- A fund balance of \$449 million is provided.

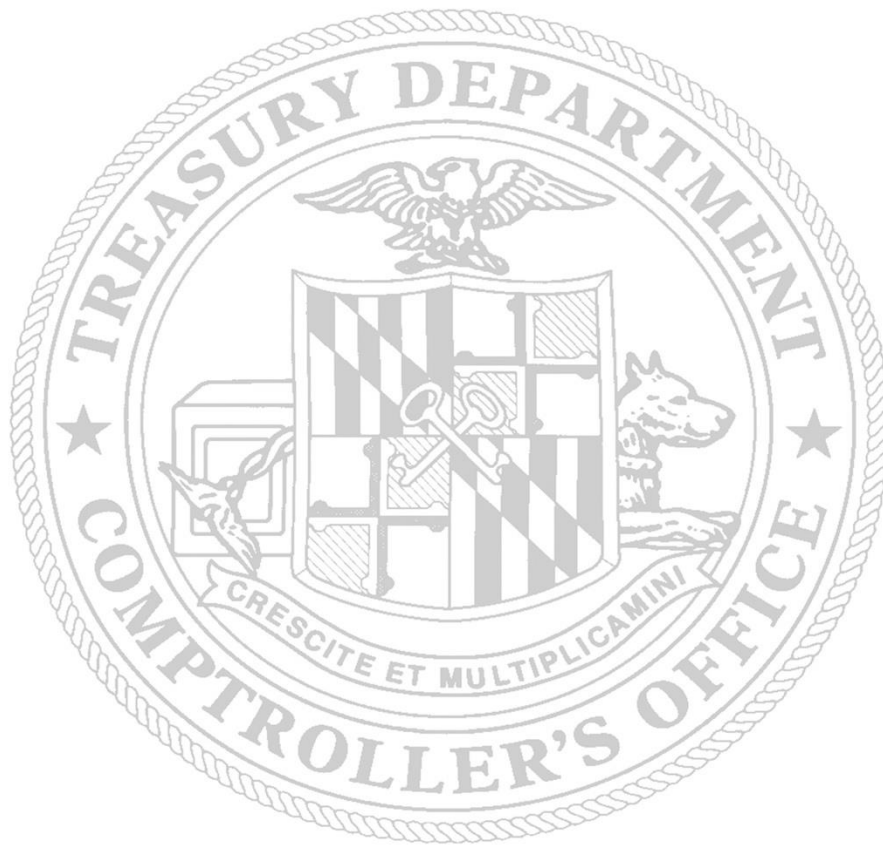
Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland, 21404.



Basic Financial Statements

Comprehensive Annual Financial Report, State of Maryland



STATE OF MARYLAND
Statement of Net Position
June 30, 2016
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash	\$ 206,254	\$ 80,237	\$ 286,491	\$ 216,209
Equity in pooled invested cash	1,460,429	673,338	2,133,767	2,395,129
Investments	644,531	804,780	1,449,311	944,052
Endowment investments				249,680
Foundation investments				1,199,078
Inventories	122,760	17,041	139,801	12,229
Prepaid items	684,219		684,219	10,287
Taxes receivable, net	1,308,973		1,308,973	
Intergovernmental receivables	1,415,709		1,415,709	
Tuition contracts receivable				240,191
Due from primary government				13,492
Due from component units	1,477		1,477	
Other accounts receivable	689,095	89,345	778,440	396,689
Loans and notes receivable, net	24,019	1,350,330	1,374,349	69,714
Investment in direct financing leases		445,822	445,822	121,543
Other assets	5,568	12,064	17,632	23,388
Collateral for lent securities	74,733		74,733	
Restricted assets:				
Cash	42,443	1,854,320	1,896,763	72,216
Equity in pooled invested cash	220,686	82,068	302,754	
Investments	23,933	681,076	705,009	383,357
Taxes receivable, net	17,891		17,891	
Loans and notes receivable	1,490	1,905,769	1,907,259	
Other accounts receivable	335	262,338	262,673	
Capital assets, net of accumulated depreciation:				
Land	3,526,164	397,382	3,923,546	200,898
Art and historical treasures	22,632		22,632	
Structures and other improvements	3,834,195	128,062	3,962,257	5,069,883
Equipment	829,802	77,082	906,884	475,786
Infrastructure	9,498,246	4,041,909	13,540,155	226,544
Construction in progress	4,783,177	1,286,379	6,069,556	917,348
Total capital assets	22,494,216	5,930,814	28,425,030	6,890,459
Total assets	29,438,761	14,189,342	43,628,103	13,237,713
Deferred outflows of resources	4,783,341	83,569	4,866,910	424,296

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Bank overdrafts.....		\$ 1,671	\$ 1,671	
Salaries payable.....	\$ 132,249		132,249	\$ 183,843
Vouchers payable.....	623,276		623,276	
Accounts payable and accrued liabilities.....	2,482,123	339,717	2,821,840	287,752
Internal balances.....	(123,741)	123,741		
Due to primary government.....				1,477
Due to component units	9,310		9,310	
Accounts payable to political subdivisions.....	160,269		160,269	
Unearned revenue.....	201,050	28,970	230,020	260,637
Interest rate swaps.....		6,908	6,908	
Accrued insurance on loan losses.....		12,106	12,106	2,614
Other liabilities.....				2,180
Collateral obligations for lent securities	74,733		74,733	
Bonds and notes payable:				
Due within one year.....	993,324	238,521	1,231,845	128,975
Due in more than one year.....	12,038,478	5,392,252	17,430,730	1,782,855
Other noncurrent liabilities:				
Due within one year.....	412,203	45,260	457,463	203,580
Due in more than one year	25,431,491	371,536	25,803,027	2,109,305
Total liabilities	42,434,765	6,560,682	48,995,447	4,963,218
Deferred inflows of resources.....	1,848,815	74,447	1,923,262	414,391
Net Position				
Net investment in capital assets.....	15,311,051	3,278,343	18,589,394	5,170,550
Restricted for:				
Debt service.....	287,885	111,041	398,926	2,257
Capital improvements.....		50	50	2,598
Higher education-nonexpendable.....				830,078
Higher education-expendable.....				594,618
Unemployment compensation benefits		1,243,002	1,243,002	
Loan programs.....		465,314	465,314	69,272
Insurance programs.....		82,075	82,075	
Other.....	11,403		11,403	
Unrestricted (deficit).....	(25,671,817)	2,457,957	(23,213,860)	1,615,027
Total net position.....	\$ (10,061,478)	\$ 7,637,782	\$ (2,423,696)	\$ 8,284,400

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2016
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government -								
Governmental activities:								
General government.....	\$ 880,414	\$ 817,528	\$ 88,329	\$ 4,576	\$ 30,019		\$ 30,019	\$
Health and mental hygiene	12,215,519	1,156,098	6,723,331		(4,336,090)		(4,336,090)	
Education.....	7,860,472	39,466	1,076,382		(6,744,624)		(6,744,624)	
Aid for higher education.....	2,351,057	32,074	1,765		(2,317,218)		(2,317,218)	
Human resources.....	2,510,369	74,736	1,779,703		(655,930)		(655,930)	
Public safety.....	2,031,359	118,284	83,652	8,777	(1,820,646)		(1,820,646)	
Transportation.....	3,706,904	618,334	87,324	722,764	(2,278,482)		(2,278,482)	
Judicial.....	733,794	278,514	4,233		(451,047)		(451,047)	
Labor, licensing and regulation.....	312,850	41,607	163,059		(108,184)		(108,184)	
Natural resources and recreation.....	255,076	58,536	29,758	4,851	(161,931)		(161,931)	
Housing and community development.....	283,046	21,522	262,974		1,450		1,450	
Environment.....	111,686	43,563	25,576		(42,547)		(42,547)	
Agriculture.....	94,561	23,287	3,794		(67,480)		(67,480)	
Commerce.....	83,664	14,551	1,593		(67,520)		(67,520)	
Intergovernmental grants and revenue sharing.....	662,629				(662,629)		(662,629)	
Interest.....	502,553	363	11,511		(490,679)		(490,679)	
Total governmental activities.....	34,595,953	3,338,463	10,342,984	740,968	(20,173,538)		(20,173,538)	
Business-type activities:								
Economic development - insurance programs.....	3,372	2,218	943			\$ (211)	(211)	
Economic development - general loan programs.....	15,062	6,884				(8,178)	(8,178)	
Economic development - water quality loan programs..	221,101	163,449	45,136			(12,516)	(12,516)	
Economic development - housing loan programs	175,706	117,516	49,257			(8,933)	(8,933)	
Unemployment insurance program.....	571,259	627,998	34,728			91,467	91,467	
Maryland Lottery and Gaming Control Agency	1,993,732	3,078,920				1,085,188	1,085,188	
Maryland Transportation Authority	538,560	836,079	1,423			298,942	298,942	
Maryland Correctional Enterprises.....	58,190	61,444				3,254	3,254	
Total business-type activities.....	3,576,982	4,894,508	131,487			1,449,013	1,449,013	
Total primary government.....	38,172,935	8,232,971	10,474,471	740,968	(20,173,538)	1,449,013	(18,724,525)	

Component Units-

Higher education.....	\$	5,203,963	\$	2,438,329	\$	1,377,593	\$	448,642	\$	(939,399)
Maryland Prepaid College Trust		62,812		49,265						(13,547)
Other component units.....		294,063		220,798		60,812				(12,453)
Total component units.....	\$	5,560,838	\$	2,708,392	\$	1,438,405	\$	448,642	\$	(965,399)
General revenues:										
Income taxes.....						9,797,055			9,797,055	
Sales and use taxes.....						4,506,092			4,506,092	
Motor vehicle taxes.....						2,554,740			2,554,740	
Tobacco taxes.....						395,266			395,266	
Insurance company taxes.....						491,226			491,226	
Property taxes.....						1,053,103			1,053,103	
Estate & inheritance taxes.....						288,833			288,833	
Other taxes.....						311,694			311,694	
Grants and contribution not restricted to specific programs.....										1,434,354
Unrestricted investment earnings.....						197,411	16,255	213,666		36,462
Additions to permanent endowments.....										30,216
Transfers.....						989,420	(989,420)			
Total general revenues, additions to permanent endowments, and transfers.....						20,584,840	(973,165)	19,611,675		1,501,032
Special item - Transfer of operations.....							(103,434)	(103,434)		94,111
Changes in net position.....						411,302	372,414	783,716		629,744
Net position, beginning of the year.....						(10,472,780)	7,265,368	(3,207,412)		7,654,656
Net position, end of the year.....	\$	(10,061,478)	\$	7,637,782	\$	(2,423,696)	\$		\$	8,284,400

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2016
(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash.....	\$ 206,254			\$ 206,254
Equity in pooled invested cash.....	1,330,423	\$ 104,640	\$ 25,366	1,460,429
Investments			644,531	644,531
Prepaid items	573,021	111,196		684,217
Taxes receivable, net.....	1,166,121	142,852		1,308,973
Intergovernmental receivables.....	1,083,175	332,534		1,415,709
Other accounts receivable	637,967	51,128		689,095
Due from other funds	148,940	124,994		273,934
Due from component units	1,477			1,477
Inventories	22,230	100,530		122,760
Loans and notes receivable, net.....	24,019			24,019
Collateral for lent securities	74,733			74,733
Restricted assets:				
Cash.....		11,314		11,314
Cash with fiscal agent			31,129	31,129
Equity in pooled invested cash.....			220,686	220,686
Investments	7,579		16,354	23,933
Taxes receivable, net.....			17,891	17,891
Other accounts receivable.....			335	335
Loans and notes receivable, net			1,490	1,490
Total assets	\$ 5,275,939	\$ 979,188	\$ 957,782	\$ 7,212,909
Liabilities:				
Salaries payable	\$ 115,905	\$ 16,344		\$ 132,249
Vouchers payable.....	478,643	87,799	\$ 56,834	623,276
Accounts payable and accrued liabilities.....	1,200,919	445,884	33,283	1,680,086
Due to other funds	730,433	9,088	50,672	790,193
Due to component units	9,310			9,310
Accounts payable to political subdivisions	92,820	50,791	16,659	160,270
Unearned revenue.....	150,023	51,027		201,050
Accrued self-insurance costs	122,011			122,011
Collateral obligations for lent securities.....	74,733			74,733
Total liabilities.....	2,974,797	660,933	157,448	3,793,178
Deferred inflows of resources.....	504,689	207,160		711,849
Fund balances:				
Nonspendable.....	618,563	211,726		830,289
Restricted	11,403		287,885	299,288
Committed.....	1,675,674	23,871	661,477	2,361,023
Unassigned	(509,187)	(124,502)	(149,028)	(782,717)
Total fund balances.....	1,796,453	111,095	800,334	2,707,882
Total liabilities and fund balances.....	\$ 5,275,939	\$ 979,188	\$ 957,782	\$ 7,212,909

The accompanying notes to the financial statement are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance
to the Statement of Net Position, Net Position Balance
June 30, 2016

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Position (pages 31-32)

differ from the amounts for the governmental funds' fund balances because of:

Amount in governmental funds, fund balance (page 35).....	\$ 2,707,882
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	22,494,216
Taxes and other receivables that will not be available to pay for current period expenditures and, therefore, are deferred in the funds.....	711,849
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds.....	(162,034)
Other long-term assets not available to pay for current period expenditures	5,568
Deferred outflows of resources not recognized as current period expenditures	4,783,341
Deferred inflows of resources not recognized as current period revenues.	(1,848,815)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
General Obligation Bonds	(9,465,285)
Premiums to be amortized over the life of the debt	(1,207,065)
Transportation Bond	(2,146,085)
Premiums to be amortized over the life of the debt.....	(213,367)
Accrued self-insurance costs.....	(234,716)
Accrued annual leave.....	(342,166)
Pension liabilities.....	(19,299,399)
Other post-employment benefits liability	(4,639,576)
Pollution remediation.....	(170,988)
Obligation under capital leases.....	(907,425)
Obligations under capital leases with component units	(121,543)
Agricultural land preservation installment obligations	(5,870)
Net Position of governmental activities (page 31 and 32).....	\$ (10,061,478)

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances,
Governmental Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

		Special Revenue		
		Maryland	Other	Total
	General	Department of	Governmental	Governmental
		Transportation	Funds	Funds
Revenues:				
Income taxes.....	\$ 9,832,668			\$ 9,832,668
Sales and use taxes	4,504,417			4,504,417
Motor vehicle taxes		\$ 2,554,740		2,554,740
Tobacco taxes.....	395,266			395,266
Insurance company taxes.....	491,226			491,226
Property taxes	307,252		\$ 745,851	1,053,102
Estate & inheritance taxes.....	288,833			288,833
Other taxes.....	311,694			311,694
Other licenses and fees.....	646,622			646,622
Charges for services.....	1,581,096	610,368		2,191,464
Interest and other investment income	51,608	3,819	2,122	57,549
Federal revenue.....	10,269,176	718,951	11,511	10,999,638
Other.....	473,942	1,492	2,092	477,526
Total revenues.....	29,153,800	3,889,370	761,576	33,804,745
Expenditures:				
Current:				
General government	882,169			882,169
Health and mental hygiene.....	12,206,406			12,206,406
Education	7,569,239		311,109	7,880,348
Aid to higher education	1,895,509		455,492	2,351,001
Human resources	2,501,100			2,501,100
Public safety	1,983,864			1,983,864
Transportation		1,737,964		1,737,964
Judicial	715,230			715,230
Labor, licensing and regulation	315,758			315,758
Natural resources and recreation	236,959			236,959
Housing and community development.....	282,414			282,414
Environment.....	108,548			108,548
Agriculture.....	69,105			69,105
Commerce	83,389			83,389
Intergovernmental grants and revenue sharing.....	378,907	690,036	283,722	1,352,665
Capital outlays		1,985,945	129,418	2,115,363
Debt service:				
Principal retirement			926,719	926,719
Interest.....			468,169	468,169
Bond issuance costs.....	778	1,192	2,988	4,958
Total expenditures	29,229,375	4,415,137	2,577,617	36,222,129
Excess (Deficiency) of revenues over (under)				
Expenditures	(75,575)	(525,767)	(1,816,042)	(2,417,384)
Other financing sources (uses):				
Capital leases.....	8,144	34,983		43,127
Bonds issued.....		300,000	1,540,625	1,840,625
Bond premium.....		26,220	238,961	265,181
Transfers in.....	1,180,508	245,552	567,716	1,993,776
Transfers out.....	(600,578)	(326,158)	(77,620)	(1,004,356)
Total other sources (uses) of financial resources.....	588,074	280,597	2,269,681	3,138,353
Net changes in fund balances.....	512,499	(245,170)	453,640	720,970
Fund balances, beginning of year.....	1,283,953	356,265	346,694	1,986,912
Fund balances, end of year	\$ 1,796,452	\$ 111,095	\$ 800,334	\$ 2,707,882

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the State of Activities
For the Year Ended June 30, 2016
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Activities (pages 33-34) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds because of the following:		
Net change in fund balances - total governmental funds (page 37).....	\$	720,970
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		
Capital outlays	\$	2,243,543
Depreciation expense	(1,254,532)	989,011
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Net loss on disposals and trade-ins		(81,045)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Deferred inflows of resources for taxes are recognized		
net of revenue already recognized in the prior year	(33,938)	
Deferred inflows of resources for other revenues are recognized,		
net of revenue already recognized in the prior year	129,205	
Revenues from deferred outflows are recognized,		
net of revenue already recognized in the prior year	2,629,597	2,724,864
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.		
Debt issued, General Obligation Bonds	(1,540,625)	
Debt issued, Transportation Bonds	(300,000)	
Capital lease financing	(43,127)	
Premiums, discounts and deferred outflows of resources on refundings	(83,342)	
Principal repayments:		
General Obligation Bonds	752,554	
Transportation Bonds	174,165	
Capital leases	84,397	(955,978)
Some expenses reported in the Statement of Activities (net of expenses already recognized in the prior year) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest	722	
Compensated absences	62,787	
Self-insurance	(2,322)	
Net pension liability	(2,843,137)	
Other post-employment benefits liability	(204,930)	
Pollution remediation liabilities	(1,731)	
Agricultural Land Preservation obligations	2,091	(2,986,520)
Change in net position of governmental activities (page 34)	\$	411,302

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND
ENTERPRISE FUND FINANCIAL STATEMENTS

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Commerce and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net position of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland Lottery and Gaming Control Agency

This fund accounts for the operation of the State Lottery and the regulation of the operation of the Video Lottery Terminal and table game casinos.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-Major Funds

Other Enterprise Funds

Individual non-major enterprise funds are presented in the combining section following the footnotes.

STATE OF MARYLAND
Statement of Fund Net Position
Enterprise Funds
June 30, 2016

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets-						
Current assets:						
Cash.....	\$ 1,961		\$ 1,987	\$ 76,289	\$	\$ 80,237
Equity in pooled invested cash	502,073		156,369		\$ 14,896	673,338
Investments.....	1,172			762,750		763,922
Other accounts receivable	11,653		42,548	26,408	8,736	89,345
Due from other funds.....	83,067	\$ 1,923		7,604		92,594
Inventories				5,582	11,459	17,041
Loans and notes receivable, net	65,378				54	65,432
Investment in direct financing leases				25,025		25,025
Other assets			87		1,006	1,093
Current restricted assets:						
Cash	616,911	2,647	1,482	121,894		742,934
Cash on deposit with U.S. Treasury.....		1,111,386				1,111,386
Equity in pooled invested cash.....					82,068	82,068
Investments.....	80,910		4,715			85,625
Loans and notes receivable, net.....	86,261					86,261
Other accounts receivable	87,385	172,231	2,722			262,338
Total current assets	1,536,771	1,288,187	209,910	1,025,552	118,219	4,178,639
Non-current assets:						
Investments	38,614				2,244	40,858
Loans and notes receivable, net	1,284,651				247	1,284,898
Investment in direct financing leases				420,797		420,797
Other assets				10,971		10,971
Restricted non-current assets:						
Investments	385,995		30,292	179,164		595,451
Loans and notes receivable, net.....	1,819,508					1,819,508
Capital assets, net of accumulated depreciation:						
Land				397,382		397,382
Structures and improvements				125,564	2,498	128,062
Equipment	77		48,717	25,186	3,102	77,082
Infrastructure				4,041,909		4,041,909
Construction in progress.....				1,286,379		1,286,379
Total non-current assets	3,528,845		79,009	6,487,352	8,091	10,103,297
Total assets	5,065,616	1,288,187	288,919	7,512,904	126,310	14,281,936
Deferred outflows of resources.....	6,908		11,394	62,103	3,164	83,569

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Bank overdrafts.....		\$ 1,671			\$	1,671
Accounts payable and accrued liabilities	\$ 101,593	43,514	\$ 47,841	\$ 145,060	\$ 1,709	339,717
Due to other funds.....	6,529		140,927	68,879		216,335
Accrued insurance on loan losses.....	306				11,800	12,106
Other liabilities.....	9,377		19,093	15,585	1,205	45,260
Unearned revenue.....	10		2,824	24,405	1,731	28,970
Revenue bonds and notes payable - current....	104,946			133,575		238,521
Total current liabilities.....	222,761	45,185	210,685	387,504	16,445	882,580
Non-current liabilities:						
Interest rate swaps.....	6,908					6,908
Other liabilities.....	26,879		86,215	244,730	13,712	371,536
Revenue bonds and notes payable.....	2,417,081			2,975,171		5,392,252
Total non-current liabilities.....	2,450,868		86,215	3,219,901	13,712	5,770,696
Total liabilities.....	2,673,629	45,185	296,900	3,607,405	30,157	6,653,276
Deferred inflows of resources.....	113		1,436	71,923	975	74,447
Net Position-						
Net investment in capital assets.....	77		433	3,272,233	5,600	3,278,343
Restricted for:						
Debt service.....				111,041		111,041
Capital improvements.....				50		50
Unemployment compensation benefits.....		1,243,002				1,243,002
Loan programs	465,314					465,314
Insurance programs					82,075	82,075
Unrestricted	1,933,391		1,544	512,355	10,667	2,457,957
Total net position	\$ 2,398,782	\$ 1,243,002	\$ 1,977	\$ 3,895,679	\$ 98,342	\$ 7,637,782

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales.....			\$ 1,905,543			\$ 1,905,543
Charges for services and sales.....	\$ 156,609	\$ 627,998	1,152,633	\$ 821,884	\$ 63,059	2,822,183
Loan and grant recoveries.....	1,729					1,729
Unrestricted interest on loan income.....	18,450				531	18,981
Restricted interest on loan income.....	92,658					92,658
Other	8,164		20,275	14,195	68	42,702
Total operating revenues.....	277,610	627,998	3,078,451	836,079	63,658	4,883,796
Operating expenses:						
Prizes and claims			1,133,301			1,133,301
Commissions and bonuses			767,259			767,259
Cost of sales and services.....			33,742		48,390	82,132
Operation and maintenance of facilities.....				256,071		256,071
General and administrative.....	56,639		45,572	42,360	10,637	155,208
Benefit payments		571,259				571,259
Capital grant distributions	224,626					224,626
Depreciation and amortization	21		13,038	124,094	951	138,104
Provision for insurance on loan losses	12,860				1,584	14,444
Other	25,040					25,040
Total operating expenses	319,186	571,259	1,992,912	422,525	61,562	3,367,444
Operating income (loss)	(41,576)	56,739	1,085,539	413,554	2,096	1,516,352
Non-operating revenues (expenses):						
Unrestricted interest and other investment income..	3,173			13,082		16,255
Restricted interest and other investment income	49,282	22,413	393	1,423	943	74,454
Interest expense	(91,569)		(820)	(109,880)		(202,269)
Federal grants and distributions.....	45,111	12,315				57,426
Other	9,125		76	(6,155)	4	3,050
Total non-operating revenues (expenses)	15,122	34,728	(351)	(101,530)	947	(51,084)
Income (loss) before transfers and special item	(26,454)	91,467	1,085,188	312,024	3,043	1,465,268
Transfers in.....	95,903					95,903
Transfers out	(487)		(1,083,967)		(869)	(1,085,323)
Special item - Transfer of operations	(103,434)					(103,434)
Change in net position	(34,472)	91,467	1,221	312,024	2,174	372,414
Total net position - beginning.....	2,433,254	1,151,535	756	3,583,655	96,168	7,265,368
Total net position - ending.....	\$ 2,398,782	\$ 1,243,002	\$ 1,977	\$ 3,895,679	\$ 98,342	\$ 7,637,782

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers.....	\$ 82,110	\$ 641,273	\$ 3,071,212	\$ 805,873	\$ 61,179	\$ 4,661,647
Payments to suppliers	(1,814)		(55,439)	(143,286)	(40,177)	(240,716)
Payments to employees.....	(24,440)		(24,566)	(173,687)	(17,682)	(240,375)
Other receipts	151,666			142,232	586	294,484
Other payments	(279,854)	(566,283)	(767,296)	(113,074)	(1,513)	(1,728,020)
Lottery prize payments.....			(1,127,064)			(1,127,064)
Net cash from operating activities	(72,332)	74,990	1,096,847	518,058	2,393	1,619,956
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds.....	355,952			18,011		373,963
Payment on revenue bonds.....	(318,763)			(44,015)		(362,778)
Interest payments	(96,206)			(22,228)		(118,434)
Payments on loans.....		(820)				(820)
Transfers in.....	83,178					83,178
Transfers out.....	(48,728)		(1,117,311)		(869)	(1,166,908)
Grants.....	58,377	12,315				70,692
Lottery installment payments			(7,392)			(7,392)
Net cash from non-capital financing activities.....	33,810	11,495	(1,124,703)	(48,232)	(869)	(1,128,499)
Cash flows from capital and related financing activities:						
Principal paid on notes payable and revenue bonds				(88,365)		(88,365)
Interest payments			(820)	(114,736)		(115,556)
Proceeds from sales of capital assets				18,260		18,260
Acquisition of capital assets.....	(44)			(265,818)	(233)	(266,095)
Payment of capital lease obligations			(12,430)			(12,430)
Net cash from capital and related financing activities	(44)		(13,250)	(450,659)	(233)	(464,186)
Cash flows from investing activities:						
Receipts from collections of loans	278,472					278,472
Receipts from sales of debt instruments-other entities...	821,331		7,392	682,773		1,511,496
Interest received as returns on loans.....	113,212					113,212
Interest received on debt instruments of other entities...	16,006	22,413		13,998	944	53,361
Disbursements for loans	(355,858)					(355,858)
Disbursements for debt instruments of other entities ...	(695,284)		(3,048)	(744,475)		(1,442,807)
Net cash from investing activities	177,879	22,413	4,344	(47,704)	944	157,876
Net change in cash and cash equivalents.....	139,313	108,898	(36,762)	(28,537)	2,235	185,147
Balance - beginning of the year	981,632	1,005,135	196,600	226,720	94,729	2,504,816
Balance - end of the year	\$ 1,120,945	\$ 1,114,033	\$ 159,838	\$ 198,183	\$ 96,964	\$ 2,689,963

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2016
(Continued)
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ (41,576)	\$ 56,739	\$ 1,085,539	\$ 413,554	\$ 2,096	\$ 1,516,352
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	21		13,038	124,094	951	138,104
Interest received as returns on loans	(111,773)					(111,773)
Deferred inflows of resources			(66)	(240)	(32)	(338)
Deferred outflows of resources			(8,880)	(30,582)	(1,634)	(41,096)
Deferred prize payments			3,048			3,048
Effect of changes in assets and liabilities:						
Other accounts receivable.....	6,760	12,920	(9,125)	572	(1,794)	9,333
Due from other funds	(416)	355		(3,160)		(3,221)
Inventories.....				(130)	1,880	1,750
Loans and notes receivable	70,934			16,103	(127)	86,910
Other assets	(2)		(36)	50	(27)	(15)
Accounts payable and accrued liabilities	2,053	4,976	3,501	(36,778)	(941)	(27,189)
Due to other funds.....	3,998			(15,487)		(11,489)
Accrued insurance on loan losses.....	(2,833)				(102)	(2,935)
Other liabilities.....	515		9,217	49,052	1,811	60,595
Unearned revenue.....	(13)		611	1,010	312	1,920
Total adjustments.....	(30,756)	18,251	11,308	104,504	297	103,604
Net cash provided (used) by operating activities.....	\$ (72,332)	\$ 74,990	\$ 1,096,847	\$ 518,058	\$ 2,393	\$ 1,619,956
Noncash transactions (amounts expressed in thousands):						
Unrealized gain on investments.....	\$ 9,472		\$ 394			

STATE OF MARYLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(Expressed in Thousands)

	Pension and Other Post-Employment Benefits Trust Funds	Investment Trust Fund	Agency Funds
Assets:			
Cash	\$ 1,368,521		\$ 100,852
Equity in pooled invested cash	3,837		640,298
Investments:			
U.S. Treasury and agency obligations	5,765,443	\$ 2,410,719	
Bonds	3,227,698		
Corporate equity securities	15,277,066		
Commercial paper		318,428	
Mortgage related securities	1,606,027		
Mutual funds	2,446,855	771,273	
Guaranteed investment contracts	768,555		
Real estate	3,088,582		
Annuity contracts	81,209		
Private equity	4,146,734		
Commingled funds	10,185,288		
Securities lent with cash collateral	2,025,140		
Total investments	48,618,597	3,500,420	
Taxes receivable, net			173,745
Intergovernmental receivables			232,625
Other receivables	598,226	788	
Accounts receivable from state treasury			640,000
Collateral for lent securities	2,070,270		
Total assets	52,659,451	3,501,208	1,787,520
Liabilities:			
Accounts payable and accrued liabilities	1,366,813	76,154	161,630
Accounts payable to political subdivisions			1,625,890
Collateral obligation for lent securities	2,070,270		
Total liabilities	3,437,083	76,154	1,787,520
Net position:			
Held in trust for:			
Pension benefits	45,608,071		
Deferred compensation benefits	3,338,249		
Local Government Investment Pool participants		3,425,054	
Postretirement health benefits	276,049		
Total net position	\$ 49,222,369	\$ 3,425,054	\$ -

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Pension and Other Post-Employment Benefits Trust Funds	Investment Trust Fund
Additions:		
Contributions:		
Employers.....	\$ 1,655,385	
Members.....	928,137	\$ 7,378,133
Sponsors.....	731,820	
Total contributions.....	3,315,342	7,378,133
Investment earnings:		
Net increase (decrease) in fair value of investments	(941,723)	
Interest	419,607	8,436
Dividends.....	1,382,213	
Total investment earnings.....	860,097	8,436
Less: investment expense.....	329,794	943
Net investment earnings.....	530,303	7,493
Total additions	3,845,645	7,385,626
Deductions:		
Benefit payments	4,210,144	
Distributions to participants.....		7,489
Redemptions (unit transactions at \$1.00 per unit)		7,226,872
Refunds	58,362	
Administrative expenses	35,236	
Total deductions	4,303,742	7,234,361
Change in net position	(458,098)	151,264
Net position – beginning.....	49,680,466	3,273,790
Net position – ending	\$ 49,222,369	\$ 3,425,054

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Non-Major Component Units

Other Component Units

Non-major component units are presented individually in the combining section following the footnotes.

STATE OF MARYLAND
Combining Statement of Net Position
Component Units
June 30, 2016

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Other Component Units	Total
Assets:				
Cash.....	\$ 108,117	\$ 56,012	\$ 52,080	\$ 216,209
Equity in pooled invested cash	2,262,788		132,341	2,395,129
Investments	19,812	868,098	56,142	944,052
Endowment investments	249,680			249,680
Foundation investments	1,199,078			1,199,078
Tuition contracts receivable.....	63,002	177,189		240,191
Other accounts receivable	360,360	1,596	34,733	396,689
Due from primary government			13,492	13,492
Inventories	12,229			12,229
Prepaid items	10,287			10,287
Loans and notes receivable, net	60,492		9,222	69,714
Investments in direct financing leases.....			121,543	121,543
Other assets	11,477		11,911	23,388
Restricted assets:				
Cash	72,001		215	72,216
Investments	9,832		373,525	383,357
Capital assets (net of accumulated depreciation):				
Land.....	190,837		10,061	200,898
Structures and improvements	4,936,343		133,540	5,069,883
Infrastructure	226,260		284	226,544
Equipment	462,480	14	13,292	475,786
Construction in progress	913,520		3,828	917,348
Total assets	11,168,595	1,102,909	966,209	13,237,713
Deferred outflows of resources.....	418,657	345	5,294	424,296
Liabilities:				
Salaries payable.....	183,843			183,843
Accounts payable and accrued liabilities.....	191,938	125	95,689	287,752
Due to primary government	714	77	686	1,477
Unearned revenue	236,793	18,257	5,587	260,637
Accrued insurance on loan losses			2,614	2,614
Other liabilities	1,954		226	2,180
Bonds and notes payable:				
Due within one year	101,124		27,851	128,975
Due in more than one year	1,252,238		530,617	1,782,855
Other noncurrent liabilities:				
Due within one year	118,909	65,241	19,430	203,580
Due in more than one year	1,320,120	746,929	42,256	2,109,305
Total liabilities	3,407,633	830,629	724,956	4,963,218
Deferred inflows of resources.....	413,410	93	888	414,391

	Higher Education	Maryland Prepaid College Trust	Other Component Units	Total
Net position:				
Net investment in capital assets.....	\$ 5,078,221	\$ 14	\$ 92,315	\$ 5,170,550
Restricted:				
Debt service			2,257	2,257
Capital improvements and deposits		2,577	21	2,598
Nonexpendable:				
Scholarships and fellowships.....	354,489			354,489
Research	11,828			11,828
Other.....	463,761			463,761
Expendable:				
Debt service	4,789			4,789
Capital projects.....	7,147			7,147
Loans and notes receivable	69,272			69,272
Scholarships and fellowships.....	138,262			138,262
Research	109,563			109,563
Other.....	334,857			334,857
Unrestricted	1,194,020	269,941	151,066	1,615,027
Total net position.....	\$ 7,766,209	\$ 272,532	\$ 245,659	\$ 8,284,400

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Other Component Units	Total
Expenses:				
General and administrative.....		\$ 2,725	\$ 30,450	\$ 33,175
Operation and maintenance of facilities	\$ 363,509		177,695	541,204
Provision for insurance on loan losses, net			703	703
Instruction.....	1,359,269			
Research	992,288			992,288
Public service	166,598			166,598
Academic support.....	450,321			450,321
Student services	246,562			246,562
Institutional support.....	541,641			541,641
Scholarships and fellowships	125,684			125,684
Tuition benefits.....		60,055		60,055
Auxiliary	614,245			614,245
Hospitals	201,931			201,931
Interest on long-term debt	48,033		10,853	58,886
Depreciation and amortization.....		32	21,309	21,341
Foundation expenses.....	90,518			90,518
Other.....	3,364		53,054	56,418
Total expenses	5,203,963	62,812	294,064	5,560,839
Program revenues:				
Charges for services:				
Student tuition and fees				
(net of \$313,856) in allowances.....	1,353,513			1,353,513
Auxiliary enterprises				
(net of \$33,828) in allowances	667,989			667,989
Restricted investment earnings	(7,339)			(7,339)
Other.....	424,166	49,265	220,798	694,229
Total charges for services.....	2,438,329	49,265	220,798	2,708,392
Operating grants and contributions.....	1,377,593		60,812	1,438,405
Capital grants and contributions.....	448,642			448,642
Total program revenues	4,264,564	49,265	281,610	4,595,439
Net program revenue (expense).....	(939,399)	(13,547)	(12,454)	(965,400)
General revenues:				
Grants and contributions not restricted				
to specific programs.....	1,434,354			1,434,354
Unrestricted investment earnings.....	44,517	(9,553)	1,498	36,462
Additions to permanent endowments.....	30,216			30,216
Total general revenues and				
additions to permanent endowments	1,509,087	(9,553)	1,498	1,501,032
Special item - transfer of operations.....			94,111	94,111
Change in net position.....	569,688	(23,100)	83,155	629,743
Net position - beginning of the year.....	7,196,521	295,632	162,504	7,654,657
Net position - end of the year	\$ 7,766,209	\$ 272,532	\$ 245,659	\$ 8,284,400

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
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For the Year Ended June 30, 2016

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STATE OF MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

The discretely presented component units are those entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

The non-major component units are comprised of the following proprietary fund type entities:

Maryland Stadium Authority (Proprietary Fund Type) – The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor. The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and

management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals, and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. MIDFA consists of nine members, the Secretary of the Department of Commerce, or his designee; the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Commerce and approved by the Governor. MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (TEDCO) was established as a body corporate and politic and a public instrumentality of the State. TEDCO's Board of Directors consists of 15 individuals; the Secretary of the Department of Commerce and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. TEDCO was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities, and to assist in the commercialization of technology developed in the private sector. TEDCO administers the Maryland Technology Incubator Program, the Maryland Stem Cell Research Fund and the Maryland Venture Fund.

Complete financial statements of the individual component units and the Maryland Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations

The Maryland Economic Development Corporation (MEDCO), Injured Worker's Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2016, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling \$7,526,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. Inter-fund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds) financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and commerce. Resources obtained from federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are committed for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations. Revenue sources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, federal grants for transportation purposes and other receipts of the Department's agencies.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows:

1. The Economic Development Loan Programs include the direct loan programs of the Maryland Departments of Housing and Community Development, Commerce and Environment.
2. The Unemployment Insurance Program reflects the transactions and account balances of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.
3. The Maryland Lottery and Gaming Control Agency operates the State Lottery and regulates the operation of video lottery terminal (VLT) and table game casinos.
4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds

1. The Pension and Other Post-Employment Benefits Trust Funds (Pension and OPEB Trust Funds) include the Maryland State Retirement and Pension System, Maryland Transit Administration Pension Plan, Deferred Compensation Plan and Post-Employment Health Benefits Trust Fund. The Pension Trust Funds reflect the transactions and account balances of the plans administered by the State, and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency. The Other Post-Employment Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions and account balances are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trusts are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.
2. The Investment Trust Fund reflects the transactions and account balances of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.
3. The agency funds are custodial in nature, and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employee's payroll.

D. New Pronouncements

GASB statements which have been issued and which affect future periods are the following:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015, is effective for fiscal years beginning after June 15, 2016.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, is effective for fiscal years beginning after June 15, 2017.
- Statement No. 77, *Tax Abatement Disclosures*, issued in August 2015, is effective for fiscal years beginning after December 15, 2015.
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued in December 2015, is effective for fiscal years beginning after December 15, 2015.
- Provisions of Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued in December 2015, are effective for fiscal years beginning after December 15, 2015.
- Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, issued in January 2016, is effective for fiscal years beginning after June 15, 2016.

- Statement No. 81, *Irrevocable Split-Interest Agreements*, issued in March 2016, is effective for fiscal years beginning after December 15, 2016.
- Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued in March 2016, is effective for fiscal years beginning after June 15, 2016.

2. Summary of Significant Accounting Policies- Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity:

A. All Funds:

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempt from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements, and must be delivered to the State Treasurer's custodian for safekeeping. The Maryland Local Government Investment Pool is authorized by Article 95 Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments are recorded at fair value, except for the following:

- Investments held by the Maryland Local Government Investment Pool, a qualifying investment pool, are measured at amortized cost, which approximates fair value.
- Synthetic guaranteed investment contracts that are fully benefit-responsive are measured at contract value.
- Investments in qualifying external investment pools are measured at amortized cost.

The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Changes in fair value are recognized as revenue. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pension Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in non-dividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors would include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity – direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Post-Employment Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value, except that investments in 2a7-like external investment pools are measured at the net asset value per share determined by the pool. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. In addition, State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are valued at fair value, except for the following:

- Investments in synthetic guaranteed investment contracts that are fully benefit-responsive are measured at contract value.
- Investments in life insurance contracts are measurement at cash surrender value.
- Investments in qualifying external investment pools are measured at amortized cost.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems (See Note 15). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State (See Note 16). Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-75
Building improvements	5-75
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-75

Deferred Outflows and Deferred Inflows of Resources:

Deferred outflows of resources are consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are presented separately after “Total Assets” in the State’s financial statements.

Deferred inflows of resources are acquisition of net position that applies to future reporting periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are presented separately after “Total Liabilities” in the State’s financial statements.

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances costs are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Net Position:

Net position is divided into three categories. Net investment in capital assets is the capital assets less accumulated depreciation and outstanding principal of the related debt. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt also are included in this category. Restricted net position reflects restrictions on assets and deferred outflows imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net position is total net position of the State less net investment in capital assets and restricted net position. Unrestricted net position is comprised mainly of cash, investments, loans and receivables.

B. Government Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The State considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records unearned revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2016 was 11.2¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively,

and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

Fund balance for governmental funds is reported in categories and classifications that are presented in order of constraints on the specific purposes for which amounts in that fund can be spent. The non-spendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Otherwise, fund balance is classified as restricted, committed, assigned, or unassigned. Amounts are reported as restricted when spending constraints are (a) externally imposed or (b) imposed by the government by constitutional provisions or enabling legislation. The committed fund balance includes amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor. The assigned fund balance is intended spending expressed by (a) the governing body or (b) a body or official to which the governing body has delegated the authority to assign amounts. The Governor is authorized to assign current year funds for appropriation in the subsequent year's budget pursuant to budgetary policies adopted by the General Assembly. The unassigned fund balance is the residual classification for the general fund.

Encumbrances are commitments related to unperformed contracts for goods or services. The State utilizes encumbrance accounting as part of the budgetary integration for the general, special revenue, and capital projects funds. As of June 30, 2016, certain amounts which were available for specific purposes have been encumbered as either restricted, committed or assigned fund balance depending on the constraints and approval in place at year end. In addition, where existing resources are not sufficient to liquidate encumbrances, the encumbrances are reported within committed or assigned fund balance, as appropriate. Encumbrances outstanding at year-end are reported as committed fund balance in the general, special revenue, and capital projects funds. Encumbrances are not displayed on the face of the financial statements but are disclosed in Note 17.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the State considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the State considers committed, assigned, and unassigned amounts to have been spent in that order.

C. Enterprise Funds, Fiduciary Funds and Component Units:

Basis of Accounting:

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from federal reimbursement type-grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 75 years for depreciable real property and building improvements, and 2 to 20 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

MLGCA Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland Lottery and Gaming Control Agency (MLGCA) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the MLGCA to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Video lottery terminals (VLTs) are a self-activated video version of lottery games. The MLGCA recognizes VLT revenue as gross terminal revenue equivalent to all wagers, net of related prizes. The casino operators' share is recorded as commissions and bonuses. The five casino operators receive between 39% and 50% of the gross terminal revenue to operate their casinos. After deducting operating costs, State law requires the MLGCA to transfer the remainder of the gross terminal revenue to various general fund agencies, which are responsible for making further distributions.

The casinos also operate table games. Table games include blackjack, roulette, craps and various poker games, among others. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casinos. These costs are recorded as commissions and bonuses. The remainder is remitted to the MLGCA which transfers it to public education programs in the general fund in accordance with the enabling legislation.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2016, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net position:

Cash.....	\$	502,700
Equity in pooled invested cash.....		4,528,896
Investments		3,842,121
Collateral for lent securities		74,733
Restricted cash		1,968,979
Restricted equity in pooled invested cash.....		302,754
Restricted investments		1,088,366

Statement of fiduciary net position:

Cash.....		1,469,373
Equity in pooled invested cash.....		644,135
Investments		52,119,017
Collateral for lent securities		2,070,270
Total cash and investments per basic financial statements.....		68,611,344
Less: Cash and investments of higher education foundations not subject to disclosure.....		1,267,626
Total cash and investments per Note 3	\$	67,343,718

Cash deposit:

Governmental funds.....	\$	225,148
Enterprise funds		1,235,287
Fiduciary funds.....		265,116
Component units		147,517

Investments:

Governmental funds.....		6,242,530
Enterprise funds		2,185,129
Fiduciary funds.....		55,393,542
Component units		1,649,449
Total cash deposits and investments	\$	67,343,718

Cash and equity in pooled invested cash for financial statement presentation includes short-term investments maturing within 90 days of purchase. Investments for financial presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. Cash Deposits:

As of June 30, 2016, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were \$225,148,000, \$1,235,287,000, \$265,116,000, and \$147,517,000, respectively. The bank balances were \$225,148,000, \$1,227,879,000, \$265,116,000, and \$138,359,000, respectively.

Custodial Risk. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer has custody if (a) the deposit is interest-bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs and higher education component unit do not have a deposit policy for custodial credit risk. As of June 30, 2016, \$1,696,000, and \$8,622,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized.

B. Investments:

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. Investments-Governmental Funds:

The State Treasurer's Office is authorized to make investments as stated in Note 2.A.

The governmental funds investments' fair value measurements and the valuation techniques used to categorize the investments in the hierarchy level as of June 30, 2016, are as follows:

- U.S. agency securities (\$4,924,327,000) are comprised of agency issued debt. Agency issued debt securities are valued at the closing price reported in the active market in which the individual security is traded as Level 1 securities.
- Repurchase agreements (\$888,924,000) are valued based on a model that incorporates market observable pricing information and are categorized as Level 2.
- Collateral for lent securities (\$74,733,000) is received as cash and invested in repurchase agreements categorized as Level 2, together with the related obligations.
- Investment in the Local Government Investment Pool (\$354,546,000) is valued at amortized cost.

Investments measured at net asset value per share (or its equivalent) are not material for reporting redemption frequency and notice period.

The investments and maturities as of June 30, 2016, for the governmental funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Agencies (a)	\$ 4,924,327	\$ 24,957	\$ 1,134,580 (b)	\$ 3,764,790 (c)
Repurchase Agreements	888,924	857,795		31,129
Local Government Investment Pool	354,546	354,546		
Total Investments	6,167,797	1,237,298	1,134,580	3,795,919
Collateral for Lent Securities.....	74,733	74,733		
Total Investments and Collateral for Lent Securities.....	\$ 6,242,530	\$ 1,312,031	\$ 1,134,580	\$ 3,795,919

(a) Investments held by broker dealers under securities lending program are \$60,155,000.

(b) Bonds in the amount of \$972,510,000, mature July 2017 to June 2019, but are callable July 2016 to June 2017.

(c) Bonds in the amount of \$3,536,145,000, mature August 2019 to June 2021, but are callable July 2016 to June 2017.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2020 were \$31,129,000.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Tennessee Valley Authority are rated Aaa by Moody's, AA by Standard & Poor's, and AAA by Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody's and AA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation are not rated. The Local Government Investment Pool is rated AAAm by Standard & Poor's.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5 % of the governmental funds' investments are in the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Federal Home Loan Bank. These investments are 40.4%, 23.6%, and 13.9% of the governmental funds' total investments, respectively.

2. Investments – Enterprise Funds:

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds in accordance with bond indentures, and in direct equity investments in accordance with the statute establishing the program.

The investments and maturities as of June 30, 2016, for the enterprise funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations	\$ 413,367	\$ 2,404	\$ 9,878	\$ 15,098	\$ 8,050	\$ 377,937
U.S government agency obligations.....	894,010	39,474	791,973	23,936	3,604	35,023
Repurchase agreements	2,408				1,232	1,176
Commercial paper.....	957	957				
Guaranteed investment contracts	3,969		3,969			
Money market mutual funds.....	703,100	702,422	678			
Municipal bonds	100,815		89,997	9,528	1,290	
Total.....	\$ 2,118,626	\$ 745,257	\$ 896,495	\$ 48,562	\$ 14,176	\$ 414,136

In addition to the investments scheduled above, as of June 30, 2016, the enterprise funds' investments also include the fair value of direct equity investments, \$31,496,000.

The MLGCA, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners, and therefore have no interest rate risk to the MLGCA. As of June 30, 2016, the fair value of these investments was \$34,890,000, and \$117,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were \$13,122,000.

The enterprise funds have the following fair value measurements as of June 30, 2016 (amounts expressed in thousands):

Investments by Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt securities</u>				
U.S. Treasury Obligations	\$ 448,257	\$ 70,320	\$ 377,937	
U.S. Government agency obligations.....	894,010	862,064	31,946	
Commerical paper	957	957		
Guaranteed investment contracts.....	3,969		3,969	
SBA pool securities.....	432	432		
Municipal bonds.....	100,815	100,815		
Money market mutual funds	246	246		
Total debt securities	1,448,686	1,034,834	413,852	-
<u>Equity securities</u>				
Direct equity investments	31,496		\$	31,496
Total equity securities	31,496			31,496
Pay-fixed, receive-variable interest rate swap agreements.....	6,908		6,908	
<u>Capital assets</u>				
Canton Development Co. (short-line railroad)	20,253			20,253
Total investments by fair value level	1,507,343	\$ 1,034,834	\$ 420,760	\$ 51,749
<u>Investments measured at contract value</u>				
Annuity contracts.....	117			
Investment agreements.....	2,408			
<u>Investments measured at amortized cost</u>				
Money market mutual funds.....	702,422			
Total investments.....	\$ 2,212,290			

- Level 1 investments are valued at the closing price reported in the active market in which the individual security is traded.
- Level 2 investments are valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. GNMA direct U.S. Government obligations (\$377,937,000), FNMA U.S. Government agency obligations (\$31,946,000) and the interest rate swap agreement are valued using the matrix pricing technique.
- Direct equity investments clarified as Level 3 are assessed by management for impairment based on financial condition, operating results and other factors on an annual basis. The non-financial asset is valued based on an appraisal of the property.

Investments measured at net asset value per share (or its equivalent) are not material for reporting redemption frequency and notice period.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these, or that they receive the highest possible rating from at least one nationally recognized securities rating organization and that commercial paper be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The ratings on the Loan Programs' bonds as of June 30, 2016, were Aa by Moody's and AA by Fitch, or higher.

As of June 30, 2016, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. government agency obligations.....	\$ 71,281	Aaa	Moody's	3.26 %
U.S. government agency obligations.....	822,729	AA	S&P	37.65
Money market mutual funds.....	702,422	AAAm/Aaa	S&P/Moody's	32.15
Money market mutual funds	678	Unrated		0.03
Commercial paper.....	957	A-1/P-1	S&P/Moody's	0.04
Guaranteed investment contracts	3,969	Aaa	Moody's	0.18
Municipal bonds.....	100,815	AAA	S&P	4.61
Total	\$ 1,702,851			77.92 %

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer of U.S. government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Bank and Federal National Mortgage Association. These investments are 13.1% and 17.3%, of the enterprise funds' total investments, respectively.

3. Investments – Fiduciary Funds:

The Pension Trust Funds, Post-Employment Health Benefits Trust Fund, and Maryland Local Government Investment Pool are authorized to make investments as stated in Note 2.A.

The investments and maturities as of June 30, 2016, for the fiduciary funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
U.S. Treasury notes and bonds.....	\$ 6,313,166	\$ 685,640	\$ 700,480	\$ 1,227,685	\$ 3,699,361
U.S. Treasury strips	349,293				349,293
U.S. Government agency obligations.....	2,542,626	2,009,366	335,156	16,302	181,802
Commercial paper.....	318,428	318,428			
Guaranteed investment contracts	768,555		768,555		
Corporate bonds	2,562,957	43,517	794,992	991,916	732,532
International bonds.....	1,442,574	31,548	426,846	583,353	400,827
Other government bonds	550,129	29,516	143,190	232,972	144,451
Mortgage-backed securities	1,606,027	2,251	15,744	64,495	1,523,537
Asset-backed securities.....	235,033		41,397	66,050	127,586
Bond mutual funds	1,080,897	28,235	921,877	130,124	661
Swaps.....	(82,763)	180	(83)	(20,242)	(62,618)
Money market mutual funds	1,972,396	1,972,396			
Total investment	19,659,318	5,121,077	4,148,154	3,292,655	7,097,432
Collateral for lent securities.....	2,070,270	2,070,270			
Total investments and collateral for lent securities	\$ 21,729,588	\$ 7,191,347	\$ 4,148,154	\$ 3,292,655	\$ 7,097,432

In addition to the investments scheduled above, as of June 30, 2016, the fiduciary funds' investments also include the fair value of corporate equity securities of \$16,169,863,000, commingled investments of \$7,840,049,000, private equity of \$4,146,734,000, real estate of \$3,088,582,000, stock mutual funds of \$2,334,384,000, annuity contracts of \$81,209,000, and insurance contracts of \$3,133,000.

The fiduciary funds have the following fair value measurements as of June 30, 2016 (amounts expressed in thousands):

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt securities</u>				
U.S. Treasury notes and bonds	\$ 5,995,342	\$ 5,995,342		
U.S. Treasury strips.....	349,293	349,293		
U.S. Government agency obligations.....	449,732	449,732		
Corporate bonds	2,562,957		\$ 2,562,957	
International bonds	1,442,574		1,442,574	
Other government bonds	550,129		550,129	
Mortgage-backed securities.....	1,606,027		7,379	\$ 1,598,648
Bond mutual funds	272,471	112,471	160,000	
Money market mutual funds.....	1,201,123	1,201,123		
Collateral for lent securities	2,070,270		2,070,270	
Total debt securities.....	16,499,918	8,107,961	6,793,309	1,598,648
<u>Equity securities</u>				
Corporate equities.....	16,169,863	16,169,863		
Stock mutual funds.....	2,334,384	2,334,384		
Total equity securities.....	18,504,247	18,504,247		
Commingled investments.....	48,794	34,000	14,794	
Real estate.....	28,103			28,103
Total investments by fair value level	35,081,062	\$ 26,646,208	\$ 6,808,103	\$ 1,626,751

Investments measured at net asset value	
Asset-backed securities funds.....	235,033
Bond mutual funds.....	808,426
Real estate funds	3,060,479
Private equity funds	4,146,734
Commingled investments.....	7,708,492
Total investments measured at amortized cost	<u>15,959,164</u>
Investments measured at amortized cost	
U.S. Treasury notes and bonds.....	317,824
U.S. Government agency obligations	2,092,894
Commercial paper	318,428
Money market mutual funds.....	771,273
Total investments measured at amortized cost	<u>3,500,419</u>
Investments measured at contract value	
Guaranteed investment contracts.....	768,555
Annuity contracts.....	81,209
Total investments measured at contract value.....	<u>849,764</u>
Investments measured at cash surrender value	
Insurance contracts.....	<u>3,133</u>
Total investments	<u>\$ 55,393,542</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Level 2 investments include the following:

- Debt securities valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments.
- Mortgage-backed securities issued as U.S. agency securities categorized as mortgage pass-through. Mortgage pass-through includes to-be-announced (TBA) securities and mortgage pass-through certificates. TBA securities and mortgage pass-through is generally valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments.
- Collateral for lent securities invested in the lending agent's short term investment pool operating as an open-end money market mutual fund, together with the related obligation.
- Commingled investments whose valuation methodology and valuation frequency of the pooled investment vehicles may not be able to appraise whether the net asset value represents the exit value of the fund.

Level 3 investments include the following:

- Commercial and residential mortgage-backed securities valued using discounted cash flow techniques.
- Real estate valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented on the following table (in millions).

June 30, 2016				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private funds (includes equity, credit, energy, infrastructure and timber	\$ 7,283	\$ 5,950		
Real estate-open ended	2,077		Quarterly	45-90 days
Commodities	458		Monthly	5-30 days
	72		N/A	Liquidating
Global macro	247		Weekly	3 days
Global tactical.....	215		Monthly	5 days
	522		Daily	2 days
Multi-strategy.....	199		Weekly	3 days
Hedge funds				
Commodity.....	223		Monthly	30-60 days
	114		Quarterly	45 days
Equity long/short.....	1,472		Monthly	30-45 days
			Quarterly	45-90 days
Event-driven.....	157		Annual	45 days
	143		Quarterly	65 days
	121		N/A	Liquidating
Global macro	547		Monthly	5 days
Multi-asset	125		N/A	Liquidating
Multi-strategy	1,792		Quarterly	60-90 days
Opportunistic	217		Annual	90 days
	<u>\$ 15,984</u>	<u>\$ 5,950</u>		

Interest Rate Risk. As of June 30, 2016, the System had \$1.0 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants, and therefore have no interest rate risk to the Plans. As of June 30, 2016, the carrying value of these investments was \$81,209,000, and \$3,133,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in banker's acceptances and commercial paper subject to certain credit rating guarantee and/or collateral requirements. As of June 30, 2016, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations.....	\$ 41,063	AAA	0.08%
U.S. Government agency obligations.....	2,498,970	AA	4.69%
U.S. Government agency obligations.....	2,593	Unrated	0.00%
Money market mutual funds	771,273	AAA	1.45%
Money market mutual funds	1,201,123	A	2.25%
Commercial paper	318,428	AAA	0.60%
Guaranteed investment contracts	764,982	AA	1.43%
Guaranteed investment contracts	3,573	Unrated	0.01%
Corporate bonds	11,872	AAA	0.02%

Corporate bonds	\$	36,392	AA	0.07%
Corporate bonds		372,150	A	0.70%
Corporate bonds		106,297	BAA	0.20%
Corporate bonds		6,193	BA	0.01%
Corporate bonds		891,221	BBB	1.67%
Corporate bonds		291,689	BB	0.55%
Corporate bonds		171,412	B	0.32%
Corporate bonds		42,747	CAA	0.08%
Corporate bonds		37,875	CCC	0.07%
Corporate bonds		1,814	CC	0.00%
Corporate bonds		5,988	D	0.01%
Corporate bonds		587,307	Unrated	1.10%
International bonds		3,627	AAA	0.01%
International bonds.....		13,159	AA	0.02%
International bonds.....		6,807	A	0.01%
International bonds.....		3,459	BAA	0.01%
International bonds.....		3,209	BBB	0.01%
International bonds.....		1,130	BB	0.00%
International bonds.....		426	B	0.00%
International bonds.....		303	CAA	0.00%
International bonds.....		14,631	Unrated	0.03%
Other government bonds.....		37,001	AAA	0.07%
Other government bonds.....		37,704	AA	0.07%
Other government bonds.....		170,657	A	0.32%
Other government bonds.....		14,937	BAA	0.03%
Other government bonds.....		168,487	BBB	0.32%
Other government bonds.....		45,716	BB	0.09%
Other government bonds.....		45,519	B	0.09%
Other government bonds.....		2,204	CAA	0.00%
Other government bonds.....		3,600	CCC	0.01%
Other government bonds.....		1,421	CC	0.00%
Other government bonds.....		538	D	0.00%
Other government bonds.....		22,345	Unrated	0.04%
Mortgage-backed securities.....		96,659	AAA	0.18%
Mortgage-backed securities.....		57,224	AA	0.11%
Mortgage-backed securities.....		29,261	A	0.05%
Mortgage-backed securities.....		48,933	BAA	0.09%
Mortgage-backed securities.....		17,849	BA	0.03%
Mortgage-backed securities.....		26,117	BBB	0.05%
Mortgage-backed securities.....		9,145	BB	0.02%
Mortgage-backed securities.....		10,708	B	0.02%
Mortgage-backed securities.....		3,258	CAA	0.01%
Mortgage-backed securities.....		4,245	CA	0.01%
Mortgage-backed securities.....		17,327	CCC	0.03%
Mortgage-backed securities.....		263	CC	0.00%
Mortgage-backed securities.....		16,388	D	0.03%
Mortgage-backed securities.....		1,268,650	Not rated	2.38%
Asset-backed securities-Other.....		121,538	AAA	0.23%
Asset-backed securities-Other.....		31,419	AA	0.06%
Asset-backed securities-Other.....		38,244	A	0.07%
Asset-backed securities-Other.....		8,651	BAA	0.02%
Asset-backed securities-Other.....		12,918	BBB	0.02%
Asset-backed securities-Other.....		623	B	0.00%
Asset-backed securities-Other.....		249	CA	0.00%

Asset-backed securities-Other.....	\$ 6,196	CCC	0.01%
Asset-backed securities-Other.....	1,216	CC	0.00%
Asset-backed securities-Other.....	1,380	C	0.00%
Asset-backed securities-Other.....	3,702	D	0.01%
Asset-backed securities-Other.....	8,897	Not rated	0.02%
Bond mutual funds.....	1,080,897	Not rated	2.03%
Total.....	\$ 11,683,799		21.91%

Foreign Currency Risk. The majority of the System's foreign currency-denominated investments are in equities. The System has an overlay program to minimize its currency risk.

The System's exposure to foreign currency risk as of June 30, 2016, was as follows (amounts expressed in thousands):

Currency	Equity	Fixed Income	Cash	Alternative Investments	Total
Australian Dollar	\$ 206,044	\$ 941	\$ 889	\$ 95,940	\$ 303,814
Brazilian Real.....	51,676		578	40	52,294
Canadian Dollar.....	311,502	2,423	2,825	15,047	331,797
Czech Koruna.....	1,501		14		1,515
Danish Krone	99,586	94	327		100,007
Egyptian Pound	2,345		131		2,476
Euro Currency	1,397,399	148,693	5,226	545,786	2,097,104
Hong Kong Dollar	427,851		1,795	50,911	480,557
Hungarian Forint.....	3,965		29		3,994
Indonesian Rupiah	49,420		482		49,902
Japanese Yen	889,948	672	7,354	71,142	969,116
Malaysian Ringgit	26,970		165		27,135
Mexican Peso	67,565	982	570		69,117
New Israeli Sheqel	12,930		228	269	13,427
New Taiwan Dollar.....	20,260		3,892		24,152
New Zealand Dollar.....	4,430	553	84	200	5,267
Norwegian Krone.....	35,630	937	571	1,831	38,969
Philippine Peso.....	19,311		1		19,312
Polish Zloty	12,343		316		12,659
Pound Sterling	863,401	60,750	8,758	205,308	1,138,217
Qatari Rial	1,271		-		1,271
Singapore Dollar	52,586		475	9,972	63,033
South African Rand	50,437		584		51,021
South Korean Won	194,443		379		194,822
Swedish Krona	111,250	975	351	5,623	118,199
Swiss Franc.....	419,788		328	5,001	425,117
Thailand Baht	40,090		447		40,537
Turkish Lira.....	26,093		241		26,334
Uae Dirham.....	6,862		(322)		6,540
Not Applicable (1)	3,537,059	1,300,899		86,109	4,924,067
Total	\$ 8,943,956	\$ 1,517,919	\$ 36,718	\$ 1,093,179	\$ 11,591,772

(1) This line includes American Depositary Receipts and International Funds valued in US dollars; however, they are considered to have exposure to multiple foreign currencies.

Derivatives:

Each System investment manager's guidelines determine the extent to which derivatives are permissible. Futures and other derivatives are permitted to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives is not permitted to materially alter the characteristics, including the investment risk, of each manager's account. The investment managers are to have in place, and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. Futures and short option positions must be hedged with cash, cash equivalents or current portfolio security holdings.

A list of derivatives aggregated by investment type is as follows (amounts expressed in thousands):

	Changes in Fair Value		Fair Value as of June 30, 2016		
	Classification	Amount	Classification	Amount	Notional*
Commodity futures long	Investment revenue	\$ (46,741)	Futures		\$ 185,956
Commodity futures short	Investment revenue	(3,514)	Futures		(10)
Credit default swaps bought	Investment revenue	(1,511)	Swaps	\$ (263)	25,000
Credit default swaps written	Investment revenue	(717)	Swaps	1,689	61,132
Currency swaps	Investment revenue	(101)	Swaps		
Fixed income futures long	Investment revenue	114,103	Futures		1,054,000
Fixed income futures short	Investment revenue	(26,573)	Futures		(395,139)
Fixed income options bought	Investment revenue	(628)	Options	790	634,200
Fixed income options written	Investment revenue	1,179	Options	(839)	(172,455)
Foreign currency options written	Investment revenue	550	Options		
Futures options bought	Investment revenue	(1,152)	Options		
Futures options written	Investment revenue	8,836	Options		
			Long term		
FX forwards	Investment revenue	(24,923)	Instruments	(54,476)	13,810,538
Index futures long	Investment revenue	(1,498)	Futures		228
Index futures short	Investment revenue	(5)	Futures		
Pay fixed interest rate swaps	Investment revenue	(47,961)	Swaps	(29,248)	915,457
Receive fixed interest rate swaps	Investment revenue	(124,323)	Swaps	(54,583)	222,041
Rights	Investment revenue	253	Common stock	301	1,742
Total return swaps bond	Investment revenue	5,114	Swaps	187	180,965
Warrants	Investment revenue	(267)	Common stock	21,087	9,566
Grand Total		\$ (149,879)		\$ (115,355)	

*Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions.

Credit Risk. The System is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to losses related to credit risk, the investment managers use counterparty collateral in their non-exchange-traded derivative instruments. Netting arrangements are also used when entering into more than one derivative instrument transaction with a counterparty. At the present time, the System does not have a formal policy relating to counterparty collateral or netting arrangements.

The aggregate fair value of derivative instruments in asset positions as of June 30, 2016, was \$306,244,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform. The maximum loss would, however, be reduced by the counterparty collateral and the liabilities included in netting arrangements with counterparties.

The following tables list the fair value of credit exposure per ratings of Standard & Poor's (S&P), Moody's and Fitch for the counterparties (amounts expressed in thousands):

Fair Value	S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating
\$127,903	AA	\$151,117	Aa	\$260,815	AA
178,309	A	155,127	A	45,429	A
32	BBB				
<u>\$306,244</u>		<u>\$306,244</u>		<u>\$306,244</u>	

Risk concentrations are presented in the table below.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Toronto Dominion Bank	14%	AA	AA	Aa
HSBC Bank PLC	14	A	AA	A
Barclays Bank CME	1	A	A	A
Standard Chartered Bank	10	A	A	Aa
Northern Trust Company	14	AA	AA	A
Westpac Banking Corporation	2	AA	AA	Aa
Commonwealth Bank of Australia	2	AA	AA	Aa
JPMorgan Chase Bank NA London	11	A	AA	Aa
Royal Bank of Canada (UK)	10	AA	AA	Aa
State Street Bank London	14	A	AA	A
UBS AG London	2	A	A	A
Bank of New York	4	A	AA	A
Citibank N.A.	1	A	A	A

4. Investments – Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the disclosures below because the foundations are not required to and do not follow statements of GASB.

One of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. In June 2011, the institution entered into a new agreement with the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Prepaid College Trust's Statement of Investment Policy (Investment Policy), adopted by the Board as required by the enabling legislation, allows the Trust to purchase investments including domestic, international and private equities; domestic, foreign and high yield bonds; global real estate equities; private real estate; commodities and other governmental agency instruments, as well as money market deposits based on the Investment Policy's specified portfolio allocation.

The investments and maturities as of June 30, 2016, for the component units were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than
U.S. Treasury obligations	\$ 761		\$ 433	\$ 158		\$ 170
U.S. government agency obligations	6,650	\$ 6,378	82	2	\$ 16	172
Bond mutual funds	192,771	192,771				
Corporate debt securities	100,887	1,373	58,164	26,411	14,868	71
Money market mutual funds.....	455,956	455,956				
Total	\$ 757,025	\$ 656,478	\$ 58,679	\$ 26,571	\$ 14,884	\$ 413

In addition to the investments scheduled above, as of June 30, 2016, the component units' investments include the fair value of stock mutual funds of \$13,000, corporate equity securities of \$537,690,000, real estate of \$110,074,000, and the share of assets invested with the foundation of \$244,647,000.

The component units had the following fair value measurements as of June 30, 2016 (amounts expressed in thousands):

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt securities</u>				
U.S. Treasury obligations	\$ 761	\$ 761		
U.S. Government agency obligations.....	6,650	6,650		
Bond mutual funds.....	192,771	55,699	\$ 137,072	
Corporate debt securities	100,887	100,880	7	
Money market mutual fund s.....	455,358	455,358		
Total debt securities	756,427	619,348	137,079	
<u>Equity securities</u>				
Corporate equities - Publicly held.....	487,781	417,394	53,372	\$ 17,015
Equity investments in privately-held companies and venture capital partnerships:				
Publicly traded.....	124	124		
Not publicly traded	49,785			49,785
Stock mutual funds.....	13	13		
Total equity securities	537,703	417,531	53,372	66,800
Real estate.....	110,074		90,304	19,770
The share of the USM's investment in the open-end mutual fund investment of the University System of Maryland Foundations, Inc.	244,647		244,647	
Total investments by fair value level.....	1,648,851	\$ 1,036,879	\$ 525,402	\$ 86,570
<u>Investments measured at amortized cost</u>				
Money market mutual funds.....	598			
Total investments.....	\$ 1,649,449			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Corporate bonds are categorized as Level 2 investments based on yields currently available on comparable securities of issuers with similar credit ratings. The share of the University System of Maryland's (USM) investment in the open-end mutual fund investment of the USM Foundation, Inc is considered a common trust fund whose valuation methodology and valuation frequency of the pooled investment vehicles may not be able to appraise whether the net asset value represents the exit value of the fund and is classified as Level 2.

Level 3 investments include the investments in not publicly traded, privately-held companies and venture capital partnerships which are valued by management after consideration of, among other factors, the financial condition, operating results, significant recent events, and other security offerings of the investors. Also, interest in a real estate partnership (\$19,770,000) is valued based on discounted cash flows, including future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property as a Level 3 investment.

Investments measured at net asset value per share (or its equivalent) are not material for reporting redemption frequency and notice period.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities. It is the practice of the Maryland Prepaid College Trust to have no investments with maturities longer than required to fund tuition obligations based on actuarial projections.

Credit Risk. The policy of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The Investment Policy of the Maryland Prepaid College Trust details the minimum quality standards for the Trust's bond portfolios.

As of June 30, 2016, the component units had the following investments and quality ratings (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. agencies.....	\$ 6,450	AAA/Aaa	S&P & Moody's	0.39%
U.S. agencies.....	200	AA/Aaa	S&P & Moody's	0.01%
Money market mutual funds.....	455,358	Aaa	Moody's	27.61%
Money market mutual funds.....	598	Not rated		0.04%
Bond mutual funds	30,240	BBB	S&P	1.83%
Corporate debt securities	73,943	AAA	S&P	4.48%
Corporate debt securities	6,879	AA	S&P	0.42%
Corporate debt securities	19,630	A	S&P	1.19%
Corporate debt securities	428	BBB	S&P	0.03%
Corporate debt securities	7	Not rated		0.00%
Total	\$ 593,733			36.00%

Concentration of Credit Risk. The higher education component units place no limit on the amount they may invest in U.S. government issuers. The Prepaid College Trust's guidelines limit a single investment to 5% of each bond portfolio's market value, except U.S. Treasury notes and bonds.

In addition to the Maryland Prepaid College Trust, the Maryland 529 (formerly College Savings Plans of Maryland) consists of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2016, the Plan has \$4,462,679,000, of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

1. Governmental and Enterprise Fund Types:

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially

pledged at greater than the market value of the securities lent, and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 % of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund and the Maryland Lottery and Gaming Control Agency and are included in the preceding Investments Note 3.B. As of year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2016, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands):

	Fair Value		Percent Collateralized
	Lent Securities	Collateral Received	
Securities-General fund	\$60,155	\$61,375	102.03%
Securities-MLGCA	<u>13,122</u>	<u>13,358</u>	<u>101.80%</u>
Total.....	\$73,277	\$74,733	101.99%

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in Note 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suits, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2016.

2. Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Fund's custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments-Fiduciary Funds Schedule in Note 3.B.3 includes securities lent at year-end for cash collateral and collateral received from lent securities.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2016, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

	Fair Value		Percent Collateralized
	Lent Securities	Collateral Received	
Lent for cash collateral:			
U.S. government and agency securities	\$ 995,883	\$1,020,329	102.45 %
U.S. corporate bond and equity securities	657,089	664,464	101.12
International fixed income securities	1,781	1,791	100.56
International equities	215,068	224,072	104.19
Lent for noncash collateral:			
U.S. government and agency securities	33,041	33,714	102.04
U.S. corporate bond and equity securities	104,996	107,677	102.55
International equities.....	<u>17,282</u>	<u>18,223</u>	<u>105.44</u>
Total securities lent.....	\$ 2,025,140	\$ 2,070,270	102.23 %

During fiscal year 2016, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2016, had an average duration of 30 days and an average final maturity of 91 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds have received cash or securities that can be sold or pledged without a borrower default.

4. Receivables:

Taxes receivable, as of June 30, 2016, consisted of the following (amounts expressed in thousands).

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
Income taxes	\$ 660,727			\$ 660,727
Sales and use taxes	466,584			466,584
Transportation taxes, primarily motor vehicle fuel and excise.....		\$142,852		142,852
Other taxes, principally alcohol, tobacco and property ...	52,149		\$ 17,891	70,040
Less: Allowance for uncollectibles.....	13,339			13,339
Taxes receivable, net.....	\$ 1,166,121	\$142,852	\$17,891	\$1,326,864

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period were \$1,996,000.

Other accounts receivable in the governmental funds of \$689,430,000, including \$106,675,000, due in excess of one year, consisted of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, child support and public assistance overpayments and the tobacco settlement.

Other accounts receivable for the enterprise funds of \$351,683,000, primarily consisted of \$172,231,000, due to the Unemployment Insurance Program from employers and for benefit overpayments, \$71,924,000, due to the Community Development Administration from accrued interest and claims receivable on foreclosed and other loans and \$42,548,000, due to the Maryland Lottery and Gaming Control Agency from lottery retailers for ticket sale proceeds and from casino operators for gross terminal revenue and table game revenue.

5. Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources and deferred inflows of resources are reported when a given item that otherwise meets the definition of a revenue or expenditure/expense relates to a future period. These deferred amounts apply to governmental activities, business-type activities, proprietary funds, and fiduciary funds, except that deferred inflows apply to governmental funds for revenues that are not considered to be available to liquidate liabilities of the current period.

As of June 30, 2016, the State's deferred outflows of resources and deferred inflows of resources consist of the following components (amounts expressed in thousands).

	Governmental Funds		Governmental Activities	Business- Type Activities	Component Units
	General Fund	Special Revenue Fund			
Deferred Outflows of Resources:					
Loss on Refunding of Debt – Refunding of some previously outstanding general obligation bonds and revenue bonds resulted in losses.....			\$ 282,167	\$ 7,577	\$ 24,757
Interest Rate Exchange Agreements (Swaps) - CDA has entered into pay-fixed, receive- variable interest rate swap agreements in connection with certain variable rate bond series				6,908	
Pension-related deferred outflows (see Note 15)			4,501,174	69,084	399,539
Total for Deferred Outflows of Resources.....	\$ -	\$ -	\$ 4,783,341	\$ 83,569	\$ 424,296
Deferred Inflows of Resources:					
Governmental fund receivables for revenues that are not considered to be available to liquidate liabilities of the current period	\$ 504,689	\$ 207,160			
Gain on Refunding of Debt – Refunding of some previously outstanding residential revenue bonds - deferred bond premium.....				\$ 113	
Service Concession Arrangement receipts of the:					
Maryland Department of Transportation			\$ 147,799		
Maryland Transportation Authority.....				53,222	
University System of Maryland					\$ 325,644
Pension-related deferred inflows (see Note 15)			1,701,016	21,112	88,747
Total for Deferred Inflows of Resources	\$ 504,689	\$ 207,160	\$ 1,848,815	\$ 74,447	\$ 414,391

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2016, consisted of the following (amounts expressed in thousands).

	Primary Government			Component Units	
	General	Non-major Governmental Funds	Enterprise	Higher Education	Other
Notes receivable:					
Political subdivisions:					
Water quality projects		\$ 1,465	\$ 1,145,253		
Public school construction.....		26			
Other			140,217		
Volunteer fire & rescue companies.....	\$ 16,673				
Permanent mortgage loans			2,313,238		
Student and health profession loans.....				\$ 72,121	
Shore erosion loans.....	7,172				
Other.....	174			6,973	\$ 16,274
Total.....	24,019	1,490	3,598,708	79,094	16,274
Less: Allowance for possible loan losses.....			342,609	18,602	7,052
Loans and notes receivable, net	24,019	1,490	3,256,099	60,492	9,222
Due within one year.....	2,423	90	151,693	8,984	916
Due in more than one year	\$ 21,596	\$ 1,400	\$ 3,104,406	\$ 51,508	\$ 8,306

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 6.7% and mature within 18 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program.

The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Substantially all of the loans are secured by first liens on the related property and are insured or credit enhanced by the Federal Housing Administration mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Federal Home Loan Mortgage Corporation (Freddie Mac), FNMA, GNMA, Maryland Housing Fund or by private mortgage insurance policies.

Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2016, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of direct financing leases as of June 30, 2016, was \$445,822,000. As of June 30, 2016, the Authority held \$62,369,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands).

2017.....	\$	25,025
2018.....		26,020
2019.....		27,976
2020.....		29,286
2021.....		30,705
2022-2026.....		170,585
2027-2031.....		132,882
2032-2036.....		40,172
Total		482,651
Unearned interest income		25,540
Total lease payments.....		508,191
Restricted investments related to unexpended bond proceeds....		62,369
Net investment in direct financing leases	\$	445,822

Component Units:

As of June 30, 2016, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2016, is \$121,543,000. As of June 30, 2016, the Authority held \$862,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands).

2017	\$ 24,043
2018	23,965
2019	23,954
2020	23,854
2021	10,329
2022-2026.....	41,750
Total	147,895
Less: unearned interest income	25,490
Net lease payments.....	122,405
Less: Restricted investments related to unexpended bond proceeds.....	862
Net investment in direct financing leases.....	\$ 121,543

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Position. The purpose and amount of restricted assets as of June 30, 2016, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
\$ 11,314	Represents money restricted for construction retainages related to highway and airport projects
275,506	Represents State property taxes restricted to pay debt service on general obligation debt
12,379	Represents cash restricted to pay debt service on transportation bonds
7,579	Represents certificates of deposit linked to funds loaned under the State's housing loan program (\$1,709) and certificates of deposit restricted for Agricultural Land Preservation easement purchases (\$5,870)
<u>\$ 306,778</u>	
Business-type Activities:	
\$2,126,959	Assets of the Community Development Administration and State Funded Loan programs are restricted for various mortgage loans for low-income housing and loans for local governments' public facilities
355,010	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration
1,286,264	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statute
39,211	Restricted assets in the Maryland Lottery and Gaming Control Agency include cash held in separate annuity contracts and coupon bonds for winning lottery ticket payouts; escrow deposits from lottery agents, casino operator license applicants and other gaming license applicants prior to being recognized as revenue; and prize fund reserves for multi-state lotteries.
301,058	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
82,068	Assets have been restricted by the Maryland Housing Fund to pay possible future claims under insurance for losses on mortgage loans
<u>\$4,785,571</u>	
Component Units:	
\$ 81,833	Restricted assets of higher education include funds held by the trustee for future construction projects and to pay debt service and cash restricted for endowment purposes
371,301	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures
2,439	Restricted assets include cash and investments that relate to revenue bond indentures and to restricted project funds for the provision of water supply and waste-water treatment by the Maryland Environmental Service
<u>\$ 455,573</u>	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2016, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount	
General Fund	Special Revenue Fund	\$ 1,484	(a)
	Enterprise Funds –		
	Economic Development Loan Programs	6,529	(b)
	Maryland Lottery and Gaming Control Agency	140,927	(c)
		<u>\$148,940</u>	
Special Revenue Fund	General Fund	\$ 56,115	(d)
	Enterprise Funds -		
	Maryland Transportation Authority	68,879	(e)
		<u>\$124,994</u>	
Enterprise Funds -			
Economic Development Loan Programs	General Fund	\$ 32,395	(f)
	Non-major governmental funds	50,672	(g)
Unemployment Insurance Program	General Fund	1,923	(f)
Maryland Transportation Authority	Special Revenue Fund	7,604	(h)
Agency Fund -		<u>\$ 92,594</u>	
Local Income Taxes	General Fund	\$640,000	(i)

The receivable and payable transactions between the governmental funds and the enterprise funds are reported as due from and due to other funds. The receivable and payable transactions between the agency fund and the general fund are reported as accounts receivable from State treasury by the agency fund and due to other funds by the general fund.

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2016, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	\$ 714
	Maryland Prepaid College Trust	77
	Non-major component units	686
		<u>\$ 1,477</u>
Component Units –	Agency Fund –	
Maryland Stadium Authority	Local Transportation Funds and Other Taxes	\$ 4,182
Non-major component units	General Fund	9,310
		<u>\$ 13,492</u>

The receivable and payable transactions between the general fund and component unit are reported as due from/due to component units and due to/due from primary government. The receivable and payable transactions between the component unit and agency fund are reported as due from primary government by the component unit and accounts payable and accrued liabilities by the agency fund.

- (a) The amount represents Transportation Trust Fund revenues transferred to the general fund in July and August, 2016.
- (b) This amount represents payable balances for economic development loan program transfers.
- (c) This amount represents monies collected by the Maryland Lottery and Gaming Control Agency in June, 2016, and paid to the general fund in July, 2016.
- (d) The amount represents income and sales tax subsidies and return of health insurance costs from the general fund.
- (e) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
- (f) These amounts represent receivable balances from general fund subsidies.
- (g) Bond funds collected by the capital projects fund on behalf of the economic development loan programs.

- (h) The Maryland Transportation Authority receives rent, interest income and fees for services from the special revenue fund.
- (i) The loans were made in accordance with Section 2-606 of Tax-General Article of the Annotated Code of Maryland from the reserve of unallocated tax revenue that the Comptroller estimates will be claimed and refunded to taxpayers within 3 years of the date that the income tax return was filed. The money will be used to provide funding for public elementary and secondary education and the Maryland Medicaid Program among other uses.

All Interfund balances except for (i) above, are expected to be repaid by June 30, 2017. For (i) above, the General Fund is required to pay to the agency fund \$33,333,000, a year in each of fiscal years 2021 through 2026 and \$10,000,000, a year in each of fiscal years 2017 through 2025. The remaining balance is due to pay local income taxes at unspecified dates in the future.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2016, consisted of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	\$ 66,834
	Non-major Governmental Funds	29,220
	Enterprise Funds –	
	Maryland Lottery and Gaming Control Agency	1,083,967
	Economic Development Loan Programs	487
		<u>\$1,180,508</u>
Special Revenue Fund	General Fund	<u>\$ 245,552</u>
Non-major Governmental Funds	General Fund	<u>\$ 308,392</u>
	Special Revenue Fund	259,324
		<u>\$ 567,716</u>
Enterprise Funds - Loan Programs	General Fund	\$ 46,634
	Non-major Governmental Funds	48,400
	Non-major Enterprise Funds	869
		<u>\$ 95,903</u>

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred \$27,686,000, of Program Open Space funds, \$730,000, of interest earned on bonds and \$804,000, for expenses for bond sales to the general fund.

The Maryland Lottery and Gaming Control Agency transferred revenue in excess of funds allocated to prize awards, casino operators, operating expenses and capital expenditure payments in the amount of \$1,083,967,000, to the general fund. The general fund transferred \$46,634,000, to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred \$487,000, of unused funds to the general fund. Expenditures for capital projects of \$48,400,000, were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of \$1,409,341,000, and \$425,391,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education component units. The general fund also had net expenditures of \$40,059,000, that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred \$20,325,000, to the non-major component unit, the Maryland Technology Development Corporation, TEDCO, for Maryland Stem Cell Research and other operating grants. TEDCO transferred to the general fund \$686,000, as distributions/returns from Venture Capital Limited Partnerships.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2016, was as follows (amounts expressed in thousands).

Governmental activities:					
Classification	Balance July 1, 2015	Additions	Deletions	Transfers in (out)	Balance June 30, 2016
Capital assets, not depreciated:					
Land and improvements.....	\$ 3,452,271	\$ 23,963		\$ 49,930	\$ 3,526,164
Art and historical treasures	22,482	150			22,632
Construction in progress	4,149,877	1,138,911	\$ 52,706	(452,905)	4,783,177
Total capital assets, not depreciated	7,624,630	1,163,024	52,706	(402,975)	8,331,973
Capital assets, being depreciated:					
Structures and improvements.....	7,049,989	67,521	23	296,923	7,414,410
Equipment	3,207,403	151,365	164,382	20,244	3,214,630
Infrastructure	22,461,649	861,635	1,883	85,808	23,407,209
Total capital assets, being depreciated..	32,719,041	1,080,521	166,288	402,975	34,036,249
Less accumulated depreciation for:					
Structures and improvements.....	3,373,574	206,651	10		3,580,215
Equipment	2,344,443	177,963	137,582		2,384,828
Infrastructure	13,039,404	869,918	359		13,908,963
Total accumulated depreciation.....	18,757,421	1,254,532	137,951		19,874,006
Total capital assets, net.....	\$ 21,586,250	\$ 989,013	\$ 81,043	\$ -	\$ 22,494,216

Business-type activities:				
Classification	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not depreciated:				
Land and land improvements.....	\$ 392,110	\$ 15,480	\$ 10,208	\$ 397,382
Construction in progress	1,351,992	239,222	304,835	1,286,379
Total capital assets, not depreciated.....	1,744,102	254,702	315,043	1,683,761
Capital assets, being depreciated,				
Structures and improvements	150,015	5,303	794	154,524
Equipment	165,202	8,884	3,644	170,442
Infrastructure	5,336,470	299,529	40,918	5,595,081
Total-Capital assets, being depreciated	5,651,687	313,716	45,356	5,920,047
Less: accumulated depreciation:				
Structures and improvements.....	24,996	2,150	684	26,462
Equipment.....	78,807	18,171	3,618	93,360
Infrastructure	1,462,234	117,783	26,845	1,553,172
Total accumulated depreciation.....	1,566,037	138,104	31,147	1,672,994
Total capital assets, net	\$ 5,829,752	\$ 430,314	\$ 329,252	\$ 5,930,814

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2016, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:

Function	Amount
General government	\$ 42,455
Education	4,154
Human resources	17,706
Health and mental hygiene	9,353
Environment.....	886
Public safety.....	51,170
Housing and community development.....	127
Natural resources and recreation.....	20,072
Transportation	1,073,293
Agriculture	30,974
Labor, licensing and regulation.....	502
Judicial	3,840
Total depreciation expense – governmental activities	\$ 1,254,532

Business-type activities:

Function	Amount
MLGCA	\$ 13,038
Transportation Authority.....	124,094
Maryland Correctional Enterprises	951
Economic Development Loan Programs.....	21
Total depreciation expense – business activities	\$ 138,104

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long term debt, for the year ended June 30, 2016, were as follows (amounts expressed in thousands).

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	\$ 8,677,214	\$ 1,540,625	\$ 752,554	\$ 9,465,285	\$ 786,139
Transportation Bonds.....	2,020,250	300,000	174,165	2,146,085	207,185
Add: Issuance premiums.....	1,337,090	265,181	181,839	1,420,432	
Total bonds and notes payable.....	12,034,554	2,105,806	1,108,558	13,031,802	993,324
Other Liabilities:					
Compensated absences.....	405,720	201,560	265,114	342,166	188,482
Self-insurance costs.....	354,541	1,540,290	1,538,104	356,727	136,909
Net pension liability.....	16,456,262	2,843,137		19,299,399	
Net other post-employment benefits Obligations	4,434,645	204,931		4,639,576	
Obligations under capital leases.....	929,679	43,127	65,381	907,425	65,366
Obligations under capital leases with component units.....	140,559		19,016	121,543	18,440
Pollution remediation	169,257	3,106	1,375	170,988	970
Agricultural preservation installment obligation.....	7,961	450	2,541	5,870	2,036
Total long-term liabilities.....	22,898,624	4,836,601	1,891,531	25,843,694	412,203
Total long-term liabilities - Governmental activities.....	\$34,933,178	\$ 6,942,407	\$ 3,000,089	\$38,875,496	\$ 1,405,527

General Obligation Bonds –

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a “cash flow” basis rather than a “project” basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2016. Bonds are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, bond premiums, interest subsidy payments from the Federal government, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2016, the State issued \$1,540,625,000, of general obligations at a premium of \$223,276,000, with related issuance costs of \$3,766,000.

Refunded bonds of \$1,695,825,000, maturing in fiscal years 2017-2027 and callable in fiscal years 2017-2022 were considered defeased as of June 30, 2016. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2016, were as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
7/26/01	2005-2017	5.0-5.5 %	\$ 20,285	\$ 200,000	\$ 20,285
3/21/02 (a)	2005-2017	5.3-5.5	19,765	309,935	19,765
8/15/02 (a)	2006-2018	4.8-5.5	21,820-23,055	515,830	44,875
3/6/03	2006-2018	5.3	47,455-49,830	500,000	97,285
11/30/04 (b)	2020	-	9,043	9,043	9,043
8/10/06	2011-2017	4.3-5.0	27,860	350,000	27,860
12/20/06 (b)	2022	-	4,378	4,378	4,378
3/15/07	2010-2017	5.0	26,060	325,000	26,060
8/16/07	2011-2023	5.0	28,345-29,800	375,000	58,145
12/18/07 (b)	2023	-	4,986	4,986	4,986
7/28/08	2012-2024	5.0	29,640-32,680	415,000	93,445
12/16/08 (b)	2010-2021	1.6	464	5,563	2,318
3/16/09(f)	2012-2023	4.0-5.0	19,260-26,110	199,220	66,445
3/16/09 (g)	2013-2024	2.0-5.0	5,800-11,275	225,780	17,075
8/18/09 Ser A	2013-2024	2.0-5.0	6,130-19,015	235,000	74,000
8/18/09 Ser B	2013-2024	4.0-5.3	13,710-25,775	200,000	112,085
8/18/09 (c)	2025	4.6	50,000	50,000	50,000
11/3/09	2013-2022	5.0	13,690-16,720	141,800	75,835
11/3/09 (c)	2023-2025	4.5-4.8	18,400-20,400	58,200	58,200
12/16/09 (d)	2025	-	50,320	50,320	50,320
12/17/09 (b)	2011-2025	1.6	371	5,563	3,338
12/18/09 (a)	2016-2021	2.0-5.0	29,560-178,775	602,765	559,530
3/9/10 (c)	2019-2025	4.0-4.6	52,450 - 62,170	400,000	400,000
3/9/10 (a)	2018-2023	3.0-5.0	2,330 - 60,600	195,315	195,315
8/10/10 Ser A	2014-2019	2.0-5.0	17,625 - 21,975	143,335	60,190
8/10/10 Ser B	2014-2022	2.5-5.0	15,400 - 44,765	221,665	116,570
8/10/10 (c)	2023-2026	4.2-4.3	17,960 - 19,575	75,000	75,000

8/10/10 (d)	2026	4.4 %	\$ 45,175	\$ 45,175	\$ 45,175
12/8/10 (b)	2026	5.0	4,543	4,543	4,543
3/22/2011 (h)	2014-2026	2.0-5.0	380-16,705	130,770	52,840
3/22/2011 (i)	2014-2026	3.0-5.0	17,205-38,375	354,230	140,255
8/5/2011 (h)	2015-2026	2.0-4.0	975 - 6,965	71,730	30,095
8/5/2011 (i)	2015-2027	3.5-5.0	26,445 -44,545	418,270	208,390
8/5/2011 (b)	2027	4.2	15,900	15,900	15,900
8/5/2011 (j)	2027	4.2	6,500	6,500	6,500
9/28/2011 (a)	2020	1.2	30,025 - 52,385	254,915	154,235
3/20/2012 (h)	2027	2.2	150 - 7,385	56,085	25,590
3/20/2012 (i)	2027	2.4	34,235 - 54,210	543,915	394,385
3/20/2012 (a)	2023	1.7	25,055 - 40,005	138,380	138,380
8/14/2012 (h)	2016-2028	2.5	70-9,290	26,340	20,875
8/14/2012 (i)	2016-2028	2.2	27,335-48,770	478,660	475,010
8/14/2012 (b)	2028	2.8	15,230	15,230	15,230
8/14/2012 (a)	2019-2021	1.3	22,905-105,425	183,795	183,795
3/15/2013 (i)	2016-2028	2.4	29,835-49,105	500,000	389,625
3/15/2013 (a)	2018-2022	1.1	4,215-66,135	165,135	165,135
8/6/2013 (i)	2018-2029	3.2	16,295-46,770	435,000	396,895
8/6/2013 (e)	2017-2018	1.2	12,155-27,845	40,000	40,000
12/19/2013 (b)	2015-2029	-	303	4,549	3,942
3/18/2014 (i)	2018-2029	2.8	12,145-46,695	450,000	409,770
3/18/2014 (e)	2017-2018	0.9	19,090-30,910	50,000	50,000
3/18/2014 (a)	2015-2022	1.2	15,440-83,410	236,855	198,355
8/5/14 (h)	2017-2020	2.0-5.0	4,870-31,675	50,385	50,385
8/5/14 (i)	2017-2029	3.0-5.0	22,490-48,920	449,615	449,615
8/5/14 (a)	2020-2024	5.0-5.3	35,500-201,915	649,715	649,715
12/18/14 (b)	2016-2030	-	308	4,625	4,317
3/17/15 (i)	2018-2030	3.0-5.0	29,245-52,520	518,000	518,000
3/17/15 (a)	2020-2026	4.0	1,135-170,850	365,360	365,360
8/3/15 (i)	2020-2031	2.8-5.0	9,230-49,495	450,000	450,000
8/3/15 (e)	2019-2020	1.2-1.5	20,680-29,320	50,000	50,000
12/17/15 (b)	2017-2031	-	308	4,625	4,625
6/22/16 (i)	2019-2031	3.0-5.0	58,490-105,035	1,036,000	1,036,000
				\$ 14,023,000	\$ 9,465,285

(a) Includes refunding debt

(b) Includes Qualified Zone Academy Bonds for which the purchaser may receive Federal tax credits each year the bonds are outstanding

(c) Includes federally taxable Build America Bonds for which the State receives a subsidy payment from the Federal Government equal to 35% of interest payments

(d) Qualified School Construction Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding

(e) Taxable Bond Sale

(f) Institutional Bond Sale

(g) Retail Bond Sale

(h) Negotiated Bond Sale

(i) Competitive Bond Sale

(j) Qualified Energy Construction Bond Sale

General obligation bonds authorized, but unissued, as of June 30, 2016, totaled \$2,015,467,000.

As of June 30, 2016, general obligation debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2017.....	\$ 786,139	\$ 397,333
2018.....	836,409	364,178
2019.....	882,560	325,309
2020.....	879,913	282,618
2021.....	820,274	244,559
2022 - 2026.....	3,592,120	697,431
2027 - 2031.....	1,667,870	134,963
Total.....	\$ 9,465,285	\$ 2,446,391

Transportation Bonds –

Transportation bonds outstanding as of June 30, 2016, were as follows (amount expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 2.0% to 5.5%, due serially through 2030 for State transportation activity	\$1,782,335
Consolidated Transportation Bonds, Refunding – 5%, due serially through 2030 for State transportation activity.....	363,750
Total	\$2,146,085

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$4,500,000,000, through June 30, 2016, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2016, was \$2,855,105,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2016, was \$2,146,085,000. Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payments.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2015 session of the General Assembly established a maximum outstanding principal amount of \$685,400,000, as of June 30, 2016, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2016, the Department's nontraditional debt outstanding was \$702,309,000, and was reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2016.

During the year, the Department issued Consolidated Transportation Bonds in the amount of \$300,000,000, with net premiums of \$41,905,000, with maturities ranging from December 2018 to December 2030, and with interest rates ranging from 3.0% to 5.0%. As of June 30, 2016, the Department has \$247,255,000, of defeased debt outstanding.

As of June 30, 2016, Department bond debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	Consolidated Transportation Bonds	
	Principal	Interest
2017.....	\$ 207,185	\$ 93,447
2018.....	221,710	83,487
2019.....	199,410	72,957
2020.....	170,250	63,454
2021.....	185,925	55,269
2022-2026	744,960	158,622
2027-2031	416,645	34,816
Total.....	\$ 2,146,085	\$562,052

County Transportation Bonds are issued by the Department and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities and to provide local participating funds for Federally-aided highway projects. Debt service on these bonds is payable from the participating counties' and Baltimore City's share of highway user revenues. County transportation debt is the obligation of the participating counties rather than the Department. Unexpended bond proceeds in the amount of \$30,396,000, and certain debt service sinking fund amounts aggregating \$16,186,000, were invested in money market accounts as of June 30, 2016. These funds are restricted for project funds and county bond debt service, respectively, and are reported as cash and cash equivalents in the agency funds. At year end, \$120,225,000, in County Transportation Revenue Bonds were outstanding.

Subsequent to June 30, 2016 on October 26, 2016, the Department issued \$385,000,000 of Consolidated Transportation Bonds to fund transportation projects and \$242,525,000 Consolidated Transportation Refunding Bonds to refund certain outstanding Consolidated Transportation Bonds. The net proceeds of the refunding bonds were used to purchase State and Local Government Series Securities. The Consolidated Transportation Bonds have interest rates ranging from 3% to 5% and mature through 2032. The refunding bonds have an interest rate of 4% and mature through 2028.

Obligations Under Capital Leases –

Obligations under capital leases as of June 30, 2016, bore interest at annual rates ranging from 0.1% to 6.7%. Capital lease obligations with third parties in fiscal year 2016 increased by \$8,144,000, for master equipment leases entered into by the general fund and \$34,983,000, for transportation-related projects entered into by the Maryland Department of Transportation. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain lottery games. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2016 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with	
	Third Parties	Component Units
2017.....	\$ 102,246	\$ 24,043
2018.....	100,219	23,965
2019.....	98,903	23,954
2020.....	97,248	23,854
2021.....	93,740	10,329
2022-2026	420,029	41,750
2027-2031	276,972	
2032-2036	41,452	
Total future minimum payments.....	1,230,809	147,895
Less: Amount representing interest.....	288,880	25,490
Less: Restricted cash and investments.....	34,504	862
Present value of net minimum payment.....	\$ 907,425	\$121,543

The reduction shown for restricted cash and investments in the amounts of \$34,504,000, and \$862,000, is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases were as follows (amounts expressed in thousands).

Asset	Third Parties
	Amount
Construction in progress.....	\$ 389,829
Land and improvements.....	19,039
Buildings and improvements.....	1,358,851
Machinery and equipment.....	241,796
Infrastructure.....	331,809
Total acquired assets.....	2,341,324
Less: Accumulated depreciation.....	873,448
Total capital assets - net.....	\$1,467,876

Pollution Remediation Obligations –

The State has recognized a pollution remediation obligation on the statement of net position for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following.

- (a) There is an imminent danger to the public.
- (b) The State is in violation of a related permit or license.
- (c) The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
- (d) The State is named or has evidence that it will be named in a lawsuit.
- (e) The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or

PRP in a site assessment, completion of a corrective measures feasibility study, issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts – the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution remediation estimated liability is \$170,988,000, with no estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contaminations by hazardous materials under Federal and State law in the amount of \$160,633,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes \$10,355,000, for the clean-up of illegal tire dumps for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of \$830/ton based on historical data, fuel costs, specific site factors and oversight costs.

Agricultural Land Preservation Installment Purchase Obligation—

Under the Maryland Agricultural Land Preservation Program, the State purchases agricultural preservation easements restricting development on prime farmland and woodland.

Landowners have the option to choose a lump-sum payment option or installment payment option. The installment payment option is available by taking payments in equal amounts over two to ten years. The landowner may elect to take a certain amount in cash at the time of settlement and divide the remainder of the offer amount equally to be paid annually over the subsequent years. For the installment payments, the funds are invested by the State Treasurer in certificates of deposit at the interest rate in effect on the day of deposit in order to mature in accordance with the schedule of installments indicated by the landowners. Interest rates currently range from 0.15% to 3.44%. Each installment includes interest minus one-quarter of one percent of the interest earned. All installments are paid either April 1 or October 1 beginning the calendar year after the year settlement has occurred. Installment obligations mature through April 2024.

A summary of long-term debt outstanding for the agricultural land preservation installment purchase obligation at June 30, 2016 is as follows (amounts expressed in thousands):

Years Ending June 30,	Principal	Interest
2017.....	\$ 2,036	\$ 30
2018.....	1,450	16
2019.....	871	11
2020.....	720	7
2021.....	376	4
2022-2024	417	3
Total.....	\$ 5,870	\$ 71

For the governmental activities, compensated absences, self insurance, net pension liability, net other post-employment benefits obligations, obligations under capital leases, pollution remediation obligations, and Agricultural Land Preservation Installment Purchase obligations are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2016, were as follows (amounts expressed in thousands).

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable.....	\$5,721,363	\$373,963	\$464,553	\$5,630,773	\$238,521
Other Liabilities:					
Lottery prizes.....	33,123	6,346	7,392	32,077	4,609
Escrow deposits.....	52,158	20,154	20,953	51,359	21,465
Rebate liability.....	50		50		
Compensated absences.....	15,400	8,967	9,442	14,925	3,849
Self insurance costs	13,110	4,603	3,794	13,919	2,087
Pension liability	195,176	61,055		256,231	
Obligation under capital leases.....	60,715		12,430	48,285	13,250
Total other liabilities.....	369,732	101,125	54,061	416,796	45,260
Total long-term liabilities – business type activities	\$6, 091,095	\$475,088	\$518,614	\$6,047,569	\$283,781

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity were as follows (amounts expressed in thousands).

	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017.....	\$ 94,976	\$ 74,232	\$ 9,970	\$ 16,081	\$ 133,575	\$ 139,754
2018.....	97,575	71,655	23,620	13,802	151,177	133,187
2019.....	71,450	68,867	23,115	12,638	159,065	125,930
2020.....	70,230	66,434	24,335	11,527	130,639	118,208
2021.....	65,940	63,865	25,545	10,322	85,470	111,972
2022-2026.....	322,340	282,070	129,520	31,980	495,522	496,717
2027-2031.....	341,070	219,045	94,715	7,125	521,500	378,913
2032-2036.....	383,610	157,350			492,850	263,375
2037-2041.....	316,455	97,319			590,770	134,769
2042-2046.....	290,416	42,241			253,394	22,871
2047-2051.....	62,605	14,264			48,053	1,233
2052-2056.....	32,135	3,904				
2057-2061.....	3,650	160				
Total.....	2,152,452	1,161,406	330,820	103,475	3,062,015	1,926,929
Discounts and premiums...	6,228		27,955		46,731	
Totals.....	\$ 2,158,680	\$ 1,161,406	\$ 358,775	\$ 103,475	\$ 3,108,746	\$ 1,926,929

Community Development Administration (Administration) – Revenue Bonds

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$2,721,570,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 0.2% to 6.8%, with the bonds maturing serially through 2057. The principal amount outstanding as of June 30, 2016, was \$2,158,680,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. During fiscal year 2016, the Administration issued \$158,978,000, of revenue bonds with interest rates ranging from 0.2% to 4.5% and maturing serially through 2057. Included in this amount were \$67,190,000 of 2015 Series B bonds, which refunded \$33,190,000 of 2006 Series A and B bonds, in full on January 4, 2016. This economic refunding resulted in debt service savings of approximately \$4.3 million. The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources at its unamortized balance of \$113,000 as of June 30, 2016.

Subsequent to June 30, 2016, the Administration issued a total of \$351,535,000, and redeemed a total of \$33,220,000, revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with the variable rate revenue bonds totaling \$158,295,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreements mature from September 1, 2025 through September 1, 2043, and the swaps' notional amount of \$158,295,000, matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.7% to 4.8% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus .2% or .3%. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

Credit risk. The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2016. The fair value of one swap with one counterparty is (\$189,000), the fair value of two swaps with a second counterparty is (\$1,246,000), and the fair value of three swaps with a third counterparty is (\$5,473,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2016, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated A by Standard & Poor's and Aa by Moody's; the second counterparty is rated Aa by Moody's and AA by Fitch; and the third counterparty is rated Aa by Moody's and AA by Standard & Poor's. To mitigate the potential for credit risk, if the counterparties' credit quality falls to A or below, the fair value of the swaps will be fully collateralized by the counterparties.

Basis risk. The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Security Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2016, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2017	\$ 7,445	\$ 647	\$ 5,715	\$ 13,807
2018	1,935	679	5,278	7,892
2019	3,195	666	4,818	8,679
2020	1,350	656	4,437	6,443
2021	1,525	647	4,144	6,316
2022-2026	9,540	3,120	17,329	29,989
2027-2031	64,360	2,808	13,559	80,727
2032-2036	29,480	1,396	8,797	39,673
2037-2041	31,030	545	2,937	34,512
2042-2046	8,435	85	32	8,552
Total.....	\$ 158,295	\$ 11,249	\$ 67,046	\$ 236,590

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of (\$6,908,000) as of June 30, 2016. The swaps' fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease.

The table below summarizes the total fair values for the Administration's interest rate swaps as of June 30, 2015 and 2016, and the changes in fair values for the year ended June 30, 2016 (amounts expressed in thousands).

	Total Fair Value at June 30, 2015	Total Fair Value at June 30, 2016	Change in Fair Value For the Period
Interest rate swaps:			
Cash flow hedges.....	\$ (13,172)	\$ (6,908)	\$ 6,264

The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2016, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2016, are as follows (amounts expressed in thousands).

	Change in Fair Value		Fair Value at June 30, 2016		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay fixed interest rate swaps	Deferred Outflow	\$6,264	Debt	\$ (6,908)	\$158,295

The fair value of the swaps is based on market value and is affirmed by an independent advisor whose valuation method and assumptions are in accordance with accounting guidance issued by GASB. The fair value measurement for the swaps' deferred outflow and liability is based on Level 3 inputs. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

As of June 30, 2016, all of the Administration's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

Maryland Water Quality Financing Administration (Administration) – Revenue Bonds

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 2.6% to 4.1%, payable semiannually, with annual installments from \$1,235,000, to \$22,360,000 to March 1, 2030. The principal amount outstanding as of June 30, 2016, was \$358,775,000. These bonds are payable solely from the revenue, money or property of the Administration.

In December 2015, the Administration issued \$180,000,000, of 2015 Series Bay Restoration Fund Revenue Bonds at an interest rate of 2.60% due serially from March 1, 2018, to March 1, 2030.

Maryland Transportation Authority Bonds:

Bonds outstanding as of June 30, 2016, are as follows (amounts expressed in thousands).

BWI Consolidated Car Rental Facility Revenue Bonds, Series 2002, maturing in annual installments ranging from \$3,070 to \$8,505 from July 1, 2016, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually.....	\$ 90,900
BWI Airport Parking Revenue Refunding Bonds, Series 2012A and 2012B, maturing in annual installments ranging from \$11,115 to \$16,455 from March 1, 2017, to March 1, 2027, with interest rates ranging from 4.0% to 5.0% payable semiannually.....	148,055
Lease Revenue Refunding Bonds, Series 2015, maturing in annual installments ranging from \$225 to \$1,422 from July 1, 2017, to July 1, 2032, with an interest rate of 2.6% payable semiannually.....	18,011
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from \$31,215 to \$34,390 from March 1, 2017, to March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project	98,365
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$6,325 to \$12,685 from July 1, 2016, to July 1, 2041, with interest rates ranging from 4.0% to 5.0% payable semiannually	295,605
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$10,395 to \$31,070 from July 1, 2016, to July 1, 2041, with interest rates ranging from 4.8% to 5.1% payable semiannually	535,565
Series 2008 A Revolving loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA), for the Intercounty Connector Project maturing to July 1, 2047 with a fixed interest rate at 2.6% and an accreted amount	529,519
Series 2009 Revenue Bonds, for construction and improvements of Authority's Transportation Facilities projects, maturing from July 1, 2016 to July 1, 2043, with interest rates ranging from 3.0% to 5.9% payable semiannually	549,385
Series 2010 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects, maturing from July 1, 2016 to July 1, 2041, with interest rates ranging from 3.0% to 5.8% payable semiannually	321,900
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from \$41,975 to \$48,865 from March 1, 2017, to March 1, 2020, with an interest rate of 4.3% payable semiannually to finance the Intercounty Connector Highway Project	181,415
Passenger Facility Charge Revenue Bonds, Series 2012A, maturing in annual installments of \$1,965 to \$3,780 from June 1, 2017 to June 1, 2032, with interest rates ranging from 0.7% to 4.3% payable semiannually.....	43,500
Series 2012 Revenue Refunding Bonds maturing in annual installments of \$3,615 to \$6,225, from July 1, 2016 to July 1, 2029, with interest rates ranging from 3.0% to 5.0% payable semiannually	67,610
Passenger Facility Charge Revenue Bonds, Series 2012B, maturing in annual installments of \$5,850 to \$7,765 from June 1, 2017 to June 1, 2027, with interest rates ranging from 0.6% to 2.7% payable semiannually.....	75,360
Variable Passenger Facility Charge Revenue Bonds, Series 2012C, via sinking fund payments of \$43,400 through June 1, 2032, with a current variable rate of .43%	43,400
Passenger Facility Charge Revenue Bonds BWI Thurgood Marshall Airport, Series 2014, maturing in annual installments of \$1,450 to \$2,535 from June 1, 2017 to June 1, 2034, with interest rates ranging from 0.4% to 3.8% payable semiannually...	37,985
Lease Revenue Refunding Bonds Metrorail Parking Projects, Series 2014, maturing in annual installments ranging from \$1,535 to \$2,395 from July 1, 2016, to July 1, 2028, with interest rates ranging from 2.0% to 5.0%, payable semiannually...	25,440
Unamortized premium.....	46,731
Total	\$ 3,108,746

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed from BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. TIFIA bonds payable include an accreted amount of \$13,519,000, as of June 30, 2016.

Grant and Revenue Anticipation Bonds (GARVEE Bonds) are payable from a portion of Maryland's future Federal highway aid and other pledged monies. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State.

During the year ended June 30, 2016, the Authority issued \$18,011,000 of Lease Revenue Refunding Bonds, Series 2015, with an interest rate of 2.6% maturing in annual installments through July, 2032, to fully redeem \$17,845,000 of the outstanding MDTA Lease Revenue Bonds Calvert Street Parking Garage Project, Series 2005, in order to achieve debt service savings.

Obligations Under Capital Leases –

Obligations of business-type activities under capital leases as of June 30, 2016, were as follows (amounts expressed in thousands).

Years Ending June 30,	Maryland Lottery and Gaming Control Agency (MLGCA)
2017.....	\$ 13,250
2018.....	13,250
2019.....	13,250
2020.....	9,920
Total minimum lease payments	49,670
Less: Imputed interest.....	1,385
Present value of net minimum lease payments.....	\$ 48,285

The MLGCA has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2016, assets acquired under leases and the related accumulated amortization totaled \$91,984,000, and \$44,084,000, respectively, and were included in capital assets in the Statement of Net Position, Business-type Activities.

Department of Housing and Community Development (DHCD) State Funded Loan Programs – Note Payable

In April 2010, the DHCD obtained a loan from the John D. and Catherine T. MacArthur Foundation to preserve affordable housing for low-income persons and families near military bases in counties in Maryland impacted by the Base Realignment and Closure initiative (BRAC). In fiscal year 2012, several Maryland counties committed matching funds for participation in the BRAC. As of June 30, 2016, total notes payable for BRAC are \$4,572,000. This balance includes the loans received from the MacArthur Foundation as well as several Maryland counties. The loans bear interest at the rate of 2.0%, and are committed for no less than 10 years.

C. Notes and Revenue Bonds Payable – Component Units

Higher Education –

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0% to 6.1% on the revenue bonds.

Debt service requirements to maturity were as follows (amounts expressed in thousands).

Year Ending June 30,	Notes Payable and <u>Other Long-Term Debt</u>		<u>Revenue Bonds</u>	
	Principal	Interest	Principal	Interest
2017.....	\$ 5,842	\$ 923	\$ 92,344	\$ 51,115
2018.....	4,720	1,231	92,520	46,000
2019.....	3,744	1,559	92,931	41,792
2020.....	3,229	1,500	92,001	37,650
2021.....	2,938	1,439	89,621	33,737
2022-2026.....	43,828	1,545	357,819	115,721
2027-2031.....	107		271,030	46,973
2032-2036.....			90,045	7,957
2037-2041.....			495	23
Total.....	64,408	8,197	1,178,806	380,968
Accumulated accreted interest, premiums and discounts			94,560	
Total	\$ 64,408	\$ 8,197	\$ 1,273,366	\$ 380,968

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2016, higher education institutions have defeased debt outstanding of \$154,700,000, resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

As of June 30, 2016, cash and investments were held by the trustees for the higher education institutions in the amount of \$71,786,000, for the University System of Maryland (System), \$119,000, for St. Mary's College of Maryland, and \$9,712,000, for Morgan State University.

On February 18, 2016, University System of Maryland issued \$140,000,000, of 2016 Series A Bonds at interest rates ranging from 3.0% to 5.0% maturing from 2017 to 2036. On February 18, 2016 the System also issued \$61,735,000 of 2016 Refunding Series B Bonds at interest rates ranging from 2.0% to 5.0% maturing from 2017 to 2030 for refinancing \$62,890,000, of previously issued bonds for construction and university facilities renewal. The reduction in future debt service was \$5,624,000. The economic gain on the transaction was \$5,011,000.

Obligations under capital leases of \$31,768,000, existed as of June 30, 2016, and bore interest at annual rates ranging from 1.0% - 6.8%.

Maryland Stadium Authority (Authority) – Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2017	\$ 26,749	\$ 22,261
2018	27,682	21,247
2019	28,476	19,998
2020	29,682	18,694
2021.....	16,671	17,633
2022-2026.....	78,357	76,345
2027-2031.....	43,325	60,697
2032-2036.....	55,305	48,726
2037-2041.....	70,575	33,447
2042-2046.....	90,070	13,950
Total	466,892	332,998
Unamortized premium net of unamortized discount	70,289	
Total.....	\$ 537,181	\$ 332,998

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, Baltimore City Public Schools (BCPS), and certain other facilities. Except for BCPS, the outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

In April 2013, the BCPS Construction and Revitalization Act was passed. The General Assembly authorized the Authority to issue up to \$1.1 billion in debt as limited obligations of the Authority, payable solely from the BCPS Financing Fund, established under the Act. The Authority issued Series 2016 bonds, totaling \$320,000,000, at a premium of \$66,134,000. In support of the bonds, the Authority will receive \$60,000,000, annually, \$20,000,000, each from the State of Maryland, Baltimore City, and Baltimore City Board of School Commissioners (BCBSC). Sources of revenues include a portion of State lottery revenues, a portion of state education aid currently committed to Baltimore City Public Schools, and other taxes collected by or payable to Baltimore City.

Expenditures for Baltimore City Public School Construction are projected to be spent over an eight-year period while the revenues will be collected for at least thirty (30) years, which will decrease unrestricted net position until the revenues are fully received.

As of June 30, 2016, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium.....	\$ 61,556	0.8% to 6.1%	December 15, 2023
Football Stadium	51,279	Variable	March 1, 2026
Hippodrome Performing Arts Center.....	11,450	0.7% to 2.5%	June 15, 2022
Montgomery County Conference Center	11,591	4.0% to 5.0%	June 15, 2024
Camden Station.....	5,585	3.0% to 5.2%	December 15, 2024
Camden Yards Complex	9,586	2.8% to 5.6%	December 15, 2024
Baltimore City Public Schools Construction	386,134	5%	May 1, 2046
Total	\$ 537,181		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, worker's compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The worker's compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during the fiscal year 2016 were as follows (amounts expressed in thousands).

	Beginning Fiscal Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	\$ 16,647	\$ 7,204	\$ 7,340	\$ 16,511	\$ 7,116
Employee health benefits	105,500	1,466,270	1,466,270	105,500	105,500
Workers' compensation	232,394	66,816	64,494	234,716	24,293
Governmental activities self-insurance costs	354,541	1,540,290	1,538,104	356,727	136,909
Business-type activities workers' compensation ..	13,110	4,603	3,794	13,919	2,087
Component units workers' compensation	38,336	8,296	8,466	38,166	5,725
Total self-insurance costs	\$ 405,987	\$ 1,553,189	\$ 1,550,364	\$ 408,812	\$ 144,721

As of June 30, 2016, the Program held \$230,988,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2015 were as follows (amounts expressed in thousands).

	Beginning Fiscal Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	\$ 16,686	\$ 8,772	\$ 8,811	\$ 16,647	\$ 8,907
Employee health benefits	105,900	1,363,862	1,364,262	105,500	105,500
Workers' compensation	233,360	49,585	50,551	232,394	27,380
Governmental activities self-insurance costs	355,946	1,422,219	1,423,624	354,541	141,787
Business-type activities workers' compensation ..	13,180	2,918	2,988	13,110	2,032
Component units workers' compensation	38,364	7,450	7,478	38,336	5,942
Total self-insurance costs	\$ 407,490	\$ 1,432,587	\$ 1,434,090	\$ 405,987	\$ 149,761

As of June 30, 2015, the Program held \$184,846,000, in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net position is \$25,671,817,000. A portion of the deficit results from the State incurring a debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category. As of June 30, 2016, the State had reported outstanding general obligation bonds and capital leases applicable to these non-State projects of \$6,038,488,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of \$19,633,329,000.

The statement of net position for the primary government reported \$2,200,770,000, of restricted net position, including \$287,885,000, restricted by enabling legislation.

Detail of the fund balance categories and classification shown in the aggregate on the governmental funds balance sheet is as follows (amounts in thousands).

	General	Special Revenue <u>Maryland</u> Department of Transportation	Other Government Funds	Total Governmental Funds
Fund balances:				
Nonspendable - Prepaid items, inventories and long-term loans and notes receivable.....	\$ 618,563	\$ 211,726		\$ 830,289
Restricted:				
Debt service			\$ 287,885	287,885
Other purposes	11,403			11,403
Committed:				
State Reserve Fund.....	871,306			871,306
AIDS Drug Assistance	62,660			62,660
Hospital Uncompensated Care	16,955			16,955
Other health and mental hygiene	234,743			234,743
Education.....	41,692			41,692
Aid for higher education.....	17,274			17,274
Human resources.....	8,714			8,714
Public safety.....	60,644			60,644
Transportation.....		23,871		23,871
Mortgage Services Settlement Fund	6,275			6,275
Public Utility Customer Investment Fund...	20,219			20,219
Other judicial	36,927			36,927
Labor, licensing and regulation.....	32,809			32,809
Waterway improvements.....	11,827			11,827
Ocean beach replenishment	6,706			6,706
Other natural resources and recreation	85,401			85,401
Housing and community development	11,665			11,665
Environment	28,565			28,565
Agriculture.....	5,305			5,305
Commerce	23,289			23,289
Capital projects			661,477	661,477
Other purposes.....	92,699			92,699
Unassigned.....	(509,187)	(124,502)	(149,028)	(782,717)
Total fund balances	\$ 1,796,453	\$ 111,095	\$ 800,334	\$ 2,707,882

A portion of the general fund's committed fund balance, in the amount of \$871,306,000, as of June 30, 2016, includes the State Reserve Fund, which consists primarily of the Revenue Stabilization Account with a balance of \$832,390,000. The Revenue Stabilization Account is authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code of Maryland. Appropriations are required to the Revenue Stabilization Account when the unappropriated general fund surplus of the second preceding fiscal year exceeds \$10,000,000. Appropriations are also required in years when the account balance is less than 7.5% of estimated general fund revenues. If the account balance is at least 3% but less than 7.5%, an appropriation of \$50,000,000, or whatever lesser amount is necessary to bring the account balance to 7.5% of estimated general fund revenues is required; if the account balance is less than 3%, the required appropriation is \$100,000,000.

Transfer of funds from the Revenue Stabilization Account may occur only to support the operation of State government on a temporary basis and only in amounts that are not otherwise offset by reductions made by the General Assembly in the general fund appropriations. These circumstances are not expected to occur routinely.

Transfer of funds from the account that does not result in a balance below 5% of estimated general fund revenues must be authorized by (1) an act of the General Assembly or (2) a specific provision of the State budget bill as enacted. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly other than the budget bill. The use of a budget amendment for fund transfer is prohibited.

The unrestricted deficit in net position in other enterprise funds of \$11,026,000, for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

Summary financial information for the two loan programs is presented below:

Condensed Statement of Net Position As of June 30, 2016 <i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets.....	\$ 787,948	\$ 83,129
Non-current restricted assets.....	1,933,622	271,881
Total assets	2,721,570	355,010
Liabilities:		
Current liabilities.....	202,696	14,301
Non-current liabilities.....	2,090,497	348,805
Total liabilities.....	2,293,193	363,106
Net position:		
Restricted.....	428,377	(8,096)
Total net position.....	\$ 428,377	\$ (8,096)

Condensed Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2016 <i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income.....	\$ 88,776	\$ 3,882
Other operating revenues	11,564	
Other operating expenses	(46,236)	(154,429)
Operating income	54,104	(150,547)
Non-operating revenues (expenses)	(34,635)	(44,564)
Change in net position	19,469	(195,111)
Total net position - beginning	408,908	187,015
Total net position - ending.....	\$ 428,377	\$ (8,096)

Condensed Statement of Cash Flows For the Year Ended June 30, 2016 <i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Net cash from:		
Operating activities.....	\$ 35,280	\$ (109,216)
Non-capital financing activities.....	(235,352)	143,776
Investing activities.....	287,056	7,161
Beginning cash and cash equivalents.....	487,816	
Ending cash and cash equivalents.....	\$ 574,800	\$ 41,721

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is an employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 145 participating political subdivision or other entities within the State.

The State Retirement Agency (the “Agency”) is the administrator of the Maryland State Retirement and Pension System (the “System”). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the “State Pool” and the “Municipal Pool”. The “State Pool” consists of the State agencies, boards of education, community colleges, and libraries. The “Municipal Pool” consists of the participating governmental units that elected to join the System. Neither pool shares in each other’s actuarial liabilities, thus participating governmental units that elect to join the System (the “Municipal Pool”) share in the liabilities of the Municipal Pool only.

The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The State is obligated to annually pay into the accumulation fund of each State system at least an amount that, when combined with the System’s accumulation funds, is sufficient to provide benefits payable under each plan during that fiscal year. The System is accounted for as one defined benefit plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State’s reporting entity and disclosed in its financial statements as a pension trust fund.

The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600 or located at <http://www.sra.state.md.us/Agency/Downloads/CAFR/>.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System’s Board of Trustees. All State employees and employees of participating entities are covered by the plans.

“Retirement System” – retirement programs for substantially all State employees, teachers, State Police and judges who are not members of the State Pension System.

“Pension System” – retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. For participants enrolled prior to July 1, 2011, vesting occurs after five years of service. A member terminating employment before attaining retirement age, but after completing five years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age of 62 with five years of service, or after completing 30 years of service credit, regardless of age. State Police members enrolled prior to July 1, 2011, may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System members is equal to 1/55 (1.8%) of the member's highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System enrolled prior to July 1, 2011, will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service.

For new Pension System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average final salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System (LEOPS) is 2.0% of the member's highest three-consecutive year average final salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement. Other reforms similar to those enacted for System employees and teachers were enacted for other systems in the State Pool.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. In accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates, member of the Retirement system are required to contribute to the System a fixed percentage of their regular salaries and wages, 7% or 5%, depending on the retirement plan selected. Under the 2011 Pension Reforms, members of the Pension System are required to contribute to the System 7% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5% of the regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 7% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the General Assembly of the State of Maryland. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. As initially established, this method effectively maintained the contribution rate in effect for the Teacher's and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in benefit structure) as long as such systems remained between 90 percent and 110 percent funded. If either system fell below 90 percent funded (i.e. below the corridor), then the contribution rate in effect for the subsequent fiscal year would be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System,

State Police Retirement System and the Judges' Retirement System remains unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

During fiscal year 2016, for the State Pool, the State paid \$1,760,294,000, of the required contribution totaling \$1,837,721,000, which was 17.6% of covered payroll and 95.8% of the required payment. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2016, the State's membership includes 166,907 active members, 46,670 vested former members, and 134,975 retirees and beneficiaries.

In the First Special Session of 2012, the General Assembly enacted legislation that requires local school boards to pay a portion of the actuarially determined normal cost of local teachers' retirement phased in beginning in fiscal year 2013 until fiscal year 2017 when the local school boards will pay 100% of normal cost.

Assumptions and Other Inputs:

The significant actuarial assumptions and other inputs listed below were used to measure the total pension liability as of the measurement date of June 30, 2016.

Valuation method.....	Individual Entry Age Normal Cost Method
Salary increases.....	3.30% to 9.20% including inflation
Inflation.....	2.70% general, 3.20% wage
Rate of return on investments.....	7.55%
Discount rate.....	7.55%
Postretirement benefit increase.....	2.29% - 3.20% for service prior to July 1, 2011 1.49% - 3.20% for service after June 30, 2011 (depending on system and provisions)
Mortality	RP-2014 Healthy Annuitant Mortality Tables with Generational Projection Using Scale MP-2014 for healthy retirees. RP-2014 Disabled Annuitant Mortality Tables with no projection for disabled retirees. RP-2014 Employee Annuitant Mortality Tables with Generational Projection Using Scale MP-2014 for pre-retirement

System's Fiduciary Net Position:

The System's fiduciary net position has been determined on the same basis used by the system. The System's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates. Employer and member contributions are recognized in the period when due, pursuant to statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Investments are reported at fair value.

Long-term contributions receivable:

In addition to actuarially determined contributions, certain withdrawn employers also make annual installment payments, including interest at the actuarially assumed rate of return in effect at the time of withdrawal (7% or 7.5% per year), for liabilities associated with employees that have elected to stay in the System when their employer elected to withdraw. As of June 30, 2016, the outstanding balance was \$27,328,000. These payments are due over various time periods, based on the date of the employer's withdrawal.

Discount rate:

A single discount rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of June 30, 2016, the State reported a liability of \$19,536,333,000 (\$18,184,814,000 for Governmental Activities, \$256,231,000 for Business-Type Activities and \$1,095,288,000 for Component Units), for its proportionate share of the net pension liability (NPL). The non-employer portion of the NPL was \$1,245,379,000. The NPL was measured as of June 30, 2015, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The State's proportion of the NPL was based on adjusted contributions to the System in fiscal year 2015 relative to adjusted contributions of the State and all participating local governments, actuarially determined. At June 30, 2015, the State's proportion was 94%.

During the year ended June 30, 2012, the State passed legislation that required local school boards of education to fund the current service cost for teachers included in the Teachers Retirement and Pension System (TRS) which is included in the State of Maryland Retirement and Pension System. The intent of the legislation was for the State to be responsible for past service costs, actuarial gains and losses, and the unfunded liability. As a result, the State has determined that the NPL of TRS qualifies as a special funding situation and as such the entire liability associated with TRS and the related deferred outflows and inflows is included in the State's financial statements. The NPL for the TRS is \$11,534,251,000, and for the other State systems is \$8,002,082,000 at June 30, 2016.

The State recognized pension expense of \$1,905,543,000, consisting of \$1,125,033,000 applicable to the TRS and \$780,510,000 applicable to the other State systems, for the year ended June 30, 2016 (\$1,725,550,000 for Governmental Activities, \$45,150,000 for Business-Type Activities and \$134,843,000 for Component Units). At that date, the State reported deferred outflows and deferred inflows of resources related to the State systems from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions.....	\$ 1,160,033	
Difference between projected and actual earning on pension plan investment	1,720,742	\$ 1,377,761
Contributions made subsequent to the measurement date	1,760,294	
Difference between expected and actual experience.....		400,087
Total	\$ 4,641,069	\$ 1,777,848
TRS.....	\$ 2,740,086	\$ 1,049,641
Other State Systems	1,900,983	728,207
Total	\$ 4,641,069	\$ 1,777,848

	Year Ending June 30,	
The net amount reported as deferred outflows of	2017	\$ 150,342
resources related to pensions (non-contributions)	2018	150,342
will be recognized in pension expense as shown to	2019	150,215
the right (amounts expressed in thousands).	2020	548,810
	2021	103,218
	Total	\$ 1,102,927

Contributions:

Deferred outflows of resources related to MSRPS of \$1,760,294,000, resulting from State contributions subsequent to the measurement date, will be recognized as a reduction of the NPL in the year ended June 30, 2017.

Sensitivity of the net pension liability to changes in the discount rate:

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease 6.55%	Discount Rate 7.55%	1% Increase 8.55%
State's proportionate share of the NPL	\$ 26,834,848	\$ 19,536,333	\$ 13,462,875

Information included in the MSRPS financial statements:

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)2(ii), of the Annotated Code of Maryland. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202 or located at http://www.mdot.maryland.gov/office_of_finance/index.html.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service (seven years for participants hired after May 18, 2013).

As of June 30, 2016, membership in the Plan includes 2,652 active members, 486 vested former members, and 1,777 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets. For the year ended June 30, 2016, the Administration's covered and total payroll was \$137,427,000.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the total pension liability. All administrative costs of the Plan are paid by the Plan.

During fiscal year 2016, the administration paid \$38,037,000, of the required contribution totaling \$44,736,000, which was 27.7% of covered payroll and 85.0% of the required payment.

Assumptions and other inputs:

The significant actuarial assumptions and other inputs listed below were used to measure the total pension liability as of the measurement date of June 30, 2016.

Method of funding.....	Entry Age Normal Actuarial Cost Method
Discount rate.....	3.50%
Postretirement benefit increase	2.5% COLAs
Salary increase	3.20-9.20% compounded annually
Inflation	3.50%
Investment rate of return.....	8.25%, net of pension plan investment expense, including inflation for funded benefits. Unfunded benefits are discounted at 2.85% from the Bond Buyer Go 20-Year Bond Municipal Bond Index The effective blended discount rate is 3.50%
Mortality	RP-2014 Blue Collar tables with MP-2014. The RP-2014 Disabled Retiree table is used for disabled members
Cost of living adjustments	2.5% per year

Plan Fiduciary Net Position:

The Plan's fiduciary net position has been determined on the same basis used by the pension plan. The Plan's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates and all contributions and benefits including refunds of employee contributions are recorded in the period when they become due. Investments are reported at fair value.

Net Pension Liability of the Plan:

The total pension liability of the Plans was determined by an actuarial valuation as of July 1, 2015 rolled forward to June 30, 2016 and the adjustment to the roll-forward liabilities were made to reflect the following assumptions changes in the 2016 valuation:

1. A reduction of the effective blended discount rate from 4.75% to 3.50%.
2. The mortality table was changed to RP-2014 Blue Collar table with MP-2014.
3. The mortality table was changed to the RP-2014 Disabled Retiree table for disabled members.

The components of the net pension liability as of June 30, 2016, are as follows (amounts expressed in thousands).

Total pension liability	\$ 1,356,730
Plan fiduciary net position	(242,145)
Employer net pension liability.....	<u>\$ 1,114,585</u>
Plan fiduciary net position as a percentage of the total pension liability.....	<u>17.8%</u>

Investments:

The long-term expected rate of return on pension plan investments was determined using a building –block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the Plan’s investment consultant(s) and actuary(s). For each major asset class that is included in the Plan’s target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	35%	4.70%
Fixed income	10%	2.00%
Credit opportunity	10%	3.00%
Real return	14%	2.80%
Absolute return	10%	5.00%
Private equity	10%	6.30%
Real estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 1.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate:

A single discount rate of 3.50% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rate. Since the actuarially determined contributions do not reflect any assumed future increases of benefits for pensioners and beneficiaries (COLAs) or the benefit cap, the Plan’s fiduciary net position is not expected to be available to make all future benefit payments of current plan members.

Sensitivity of the net pension liability to changes in the discount rate:

The net pension liability of the MTA calculated using the discount rate of 3.50% as well as what the MTA’s net pension liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current rate, is as follows (amount express in thousands).

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Employer’s total pension liability.....	\$ 1,586,038	\$ 1,356,730	\$ 1,171,293
Plan fiduciary net position.....	242,145	242,145	242,145
Net pension liability.....	<u>\$ 1,343,893</u>	<u>\$ 1,114,585</u>	<u>\$ 929,148</u>
Plan fiduciary net position as a percentage of the total pension liability.....	15.3%	17.8%	20.7%

Pension expense, deferred outflows of resources and deferred inflows of resources and changes in net pension liability:

The components of the pension expense for the Plan at June 30, 2016, are as follows (amounts expressed in thousands).

	Amount
Service cost	\$ 48,499
Interest on the total pension liability	31,181
Projected investment earnings	(8,055)
Administrative expenses and otherc	1,967
Subtotal	73,592
Changes of benefit terms	82,510
Amortization - changes of assumptions	56,061
Amortization- actual investment earnings different than assumed	(1,730)
Amortization-differences between actual and expected experience	(4,949)
Subtotal	131,892
Total components recorded as pension expense	\$ 205,484

For the year ended June 30, 2016, the MTA recognized pension expense \$205,484,000. At June 30, 2016, the MTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 26,893
Changes of assumptions	\$ 328,728	
Net difference between projected and actual earnings on pension plan investments		6,134
Total	\$ 328,728	\$ 33,027

	Year ended June 30:	
The net amount reported as deferred outflows of resources related to pensions will be recognized in pension expense as shown to the right (amounts expressed in thousands).	2017	\$ 49,382
	2018	49,382
	2019	49,382
	2020	50,169
	2021	51,112
	Thereafter	46,275
	Total	\$ 295,702

The changes in employer's net pension liability at June 30, 2016 are as follows (amounts expressed in thousands).

Total pension liability	
Service cost	\$ 45,868
Interest	31,181
Changes of benefit terms	82,510
Differences between expected and actual experience	(15,024)
Change of assumptions or other inputs	338,950
Benefit payments, including refunds of member contributions	(35,283)
Net changes in total pension liability	448,202
Total pension liability – beginning	908,528
Total pension liability - ending(a)	\$ 1,356,730

Plan fiduciary net position	
Contributions-employer.....	\$ 38,037
Net investment income.....	3,513
Benefit payments, including refunds	(35,283)
Administrative expenses.....	(1,967)
Net change in plan fiduciary net position.....	4,300
Plan fiduciary net position-beginning.....	237,845
Plan fiduciary net position-ending (b).....	\$ 242,145
Net pension liability-ending (a)-(b).....	<u>\$ 1,114,585</u>

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Teachers & State Employees Supplemental Retirement Plans, William Donald Schaefer Tower, Suite 200, 6 Saint Paul Street, Baltimore, Maryland 21202 or located at <http://msrp.maryland.gov/agency.htm>.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provision, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plan during the same plan year. By statute, the maximum amount contributed to this plan for each participant is \$600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statue. During the year ended December 31, 2015, the State suspended the match contribution. For the plan year ended December 31, 2015, the State contributed \$10,000, to the 401(a) plan and participants contributed \$66,812,000, \$2,656,000, and \$ 94,255,000, to the 457, 403(b), and 401(k) plans, respectively.

16. Other Postemployment Benefits, Health Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program:

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 – 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the State Retirement and Pension System. A separate audited GAAP-basis postemployment benefit report is not available for the defined benefit healthcare trust fund. Financial statements for the OPEB Trust are presented below:

Statement of Fiduciary Net Position
Postretirement Health Benefits Trust Fund
June 30, 2016

(Expressed in Thousands)

Assets:	
Investments:	
U.S. Treasury and agency obligations.....	\$ 39,254
Bonds	33,640
Corporate equity securities.....	152,885
Mortgage related securities.....	7,379
Real estate	28,103
Commingled funds.....	14,794
Total assets	<u>276,055</u>
Liabilities:	
Accounts payable and accrued liabilities.....	6
Total liabilities	<u>6</u>
Net position:	
Held in trust for:	
Postretirement health benefits	276,049
Total net position.....	<u>\$ 276,049</u>

Statement of Changes in Fiduciary Net Position
Postretirement Health Benefits Trust Fund
For the Year Ended June 30, 2016

(Expressed in Thousands)

Additions:	
Contributions:	
Employers	\$ 490,765
Total contributions	<u>490,765</u>
Investment earnings:	
Net increase in fair value of investments.....	2,899
Interest.....	104
Total investment earnings	3,003
Less: investment expense.....	122
Net investment earnings	2,881
Total additions	<u>493,646</u>
Deductions:	
Benefit payments	490,765
Total deductions.....	<u>490,765</u>
Change in net position.....	2,881
Net position - beginning.....	273,168
Net position – ending	<u>\$ 276,049</u>

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed \$100,000 annually.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. For members hired on or after July 1, 2011, they are required to have completed at least 25 years of creditable service, retired directly from State service with at least ten years of creditable service, or ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin. As of July 1, 2016, the State's Plan membership includes 78,710 active employees, 3,179 vested former employees, and 70,657 retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. For the fiscal year ended June 30, 2016, retiree plan members contributed \$91,408,000, or approximately 15.7% of total retiree premiums, and the State contributed \$490,765,000. During fiscal year 2016, the State did not appropriate funds to the OPEB Trust to prefund future OPEB costs.

Annual OPEB Cost and Net OPEB Obligation:

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2016 (amounts expressed in thousands).

Annual required contribution (ARC).....	\$ 634,552
ARC Adjustment	(164,523)
Interest on net OPEB obligation beginning of year.....	179,339
Total Annual OPEB Cost (AOC).....	649,368
Less: Contributions made.....	490,765
Increase in net OPEB obligation.....	158,603
Net OPEB obligation – beginning of year.....	4,122,729
Net OPEB obligation – end of year.....	\$ 4,281,332
Percentage of annual OPEB cost contributed.....	75.6%

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2016.....	\$ 649,368	75.6%	\$ 4,281,332
6/30/2015.....	607,801	74.0%	4,122,729
6/30/2014.....	580,472	69.4%	3,964,678

Funded Status:

As of June 30, 2016, the most recent actuarial valuation date, the OPEB Trust was 2.4% funded. The actuarial accrued liability for benefits was \$12,080,912,000, and the actuarial value of assets was \$291,462,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,789,450,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 2.4%. The covered payroll (annual payroll of active employees covered under the Plan) was \$4,997,602,000, and the ratio of the UAAL to the covered payroll was (235.9%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2016.

Actuarial cost method.....	Entry Age Normal (percent of earnings)
Asset valuation method	Five-year smoothed market
Rate of return on investments.....	3.50%
Inflation rate	3.20%
Aggregate salary growth.....	3.20%
Method to determine blended rate	3.50% represents an unblended pay-go rate
Healthcare cost trend rate	Medical: Under 65 – 8.00% graded to 4.50% over 14 years Over 65 – 6.50% graded to 4.50% over 8 years Prescription drug: 10.75% graded to 5.00% over 23 years Dental: 3.50%
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open)

Maryland Transit Administration Retiree Healthcare Benefit:

The Maryland Transit Administration Retiree Healthcare Benefit (MTA OPEB) provides retiree health care benefits under a collective bargaining agreement to all employees who are members of the MTA pension plan, except transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare Benefits Program. The MTA currently funds retirees' health care on a pay-as-you-go basis. The MTA does not currently have a separate fund set aside to pay health care costs.

Plan Description:

The MTA OPEB provides medical, hospitalization, prescription drug, dental and vision insurance benefits to eligible MTA employees, retirees and their dependents. Members are eligible at age 65 with five years of service or age 52 with 30 years of service provided the member is enrolled in an MTA health plan at normal retirement. Members are also eligible at age 55 if the sum of the participant's age plus years of actual credited service equals at least 85 and the participant is enrolled in an MTA

health plan at early retirement, disability with 5 years of service and surviving spouses. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2016, 2,324 active employees and 1,447 retirees and beneficiaries were covered by healthcare insurance provided by MTA.

Funding Policy:

Based on current practice, MTA subsidizes approximately 50% to 100% of retiree healthcare premiums depending on the type of insurance plan and whether the retiree receives Medicare. Retirees make the same contribution as active employees, however Medicare is handled separately.

Annual OPEB Cost and Net OPEB Obligation:

MTA's annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The following table shows the components of MTA's annual OPEB cost, the amount actually contributed and MTA's net OPEB obligation as of June 30, 2016 (amounts expressed in thousands).

Annual required contribution (ARC).....	\$ 72,624
ARC Adjustment.....	(24,256)
Interest on net OPEB obligation beginning of year.....	13,256
Total Annual OPEB Cost (AOC).....	61,624
Less: Contributions made	15,296
Increase in net OPEB obligation.....	46,328
Net OPEB obligation – beginning of year	311,916
Net OPEB obligation – end of year.....	<u>\$358,244</u>
Percentage of annual OPEB cost contributed	24.8%

Three year historical trend information for the MTA OPEB is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2016.....	\$61,624	24.8%	\$358,244
6/30/2015.....	58,757	23.7%	311,916
6/30/2014.....	64,446	28.5%	267,064

Funded Status:

MTA OPEB is unfunded. As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$640,496,000. The covered payroll (annual payroll of active employees participating in MTA health plans) was \$137,427,000, and the ratio of the AAL to the covered payroll was (466.1%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2015.

Actuarial cost method.....	Entry Age Normal, Level Dollar
Rate of return on investments.....	4.25%
Inflation rate.....	3.50%
Aggregate salary growth.....	3.50%
Healthcare cost trend rate.....	Medical: 7.70% in 2015 decreasing to 4.50% over 11 years Prescription: 8.70% in 2015 decreasing to 4.50% over 11 years Dental and Vision: 4.50% per annum
Amortization method.....	Level Dollar Closed
Amortization period.....	19 years as of July 1, 2015

17. Commitments:

As noted in Note 2, encumbrance accounting is used to account for outstanding commitments for open purchase orders and unfulfilled contracts in some governmental funds. Amounts related to encumbrances are reported in the general fund, \$308,813,000, the special revenue fund, \$23,871,000, and the capital projects fund, \$661,477,000, as of June 30, 2016.

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days' notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2016, were approximately \$92,372,000.

As of June 30, 2016, the governmental funds, other than the Department of Transportation, had commitments of approximately \$182,999,000, for service contracts.

As of June 30, 2016, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$5.4 billion and \$526,739,000, respectively, for construction of highways and mass transit facilities.

Approximately 28.7% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases. Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2017.....	\$137,781
2018.....	135,867
2019.....	130,427
2020.....	128,018
2021.....	59,874
2022-2026	98,414
2027-2030	19,209
Total	\$709,590

The cost and accumulated depreciation of the assets as of June 30, 2016, were \$1,262,633,000, and \$750,218,000, respectively.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$181,437,000, for the year ended June 30, 2016.

As of June 30, 2016, the enterprise fund loan programs had committed to lend a total of \$456,476,000, in additional loans and had committed \$1,460,000 for service contracts. The Community Development Administration, also an enterprise fund loan program, had \$545,020,000, of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

As of June 30, 2016, the higher education fund had commitments of approximately \$661,435,000, for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2016, economic development loan programs were contingently liable to financial institutions for \$2,147,000, for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of \$183,635,000, of \$268,406,000, mortgage loans made by public and private lenders.

Non-major component units were contingently liable as insurers of \$15,611,000, of \$64,117,000, economic development and growth bonds issued by financial institutions. As of June 30, 2016, there were approved economic development bonds pending settlement which were insured by non-major component units for \$8,250,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2016, the State has recognized a liability of \$50,171,000, in the general fund for Medicaid claims to the federal government related to disallowed costs under the developmental disabilities and communicable disease care programs. The State estimates that no additional material liabilities will result from such audits.

19. Tobacco Settlement:

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriations are made. During the 2003 legislative session, legislation was enacted requiring that .15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of \$185,284,000, were made from the proceeds in the Cigarette Restitution Fund for fiscal year 2016 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2016 was \$151,965,000, including the award from the arbitration panel for attorney fees. This amount does not include \$17,425,000, the tobacco companies paid to the disputed account pending the outcome of litigation. Additionally, the State recovered \$53,226,000, in fiscal year 2016 due to a successful appeal of a portion of an arbitration decision regarding the improper enforcement of tobacco laws in calendar year 2003.

It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2021 will total \$3.40 billion of which \$149,873,000, was paid to outside counsel. The actual amount received each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive \$113,439,000, during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure:

State and Federal laws require the Maryland Environmental Service (the Service) to cover and to perform certain maintenance and monitoring functions at Midshore Regional Landfill I, Easton Landfill, Midshore II, and Hobbs Road Landfill sites for 30 years after closure. Although closure and postclosure care charges will be paid near and after the date the landfills stop accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfills. Midshore I's current cells are approximately 93% filled as of June 30, 2016. The landfill stopped accepting waste on December 31, 2010. Total closure and postclosure care costs for the landfill are currently estimated to be \$5,084,000, as determined through engineering studies, and \$3,127,000, has been recognized as a liability on the June 30, 2016, Combining Statement of Net Position, Non-Major Component Units.

A flyover is performed annually in July to assist in the calculation of the landfill's remaining capacity based upon the volume of cubic yard capacity. Midshore II's current cells, which are expected to close in 2053, are approximately 15% filled as of June 30, 2016. Total closure and postclosure care costs for the landfill are currently estimated to be \$17,472,000, as determined through engineering studies, and \$2,059,000, has been recognized as a liability as of June 30, 2016. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2015. The Service expects to satisfy these requirements as of June 30, 2016, using the same criteria.

21. Service Concession Arrangements:

In fiscal year 2013, the Maryland Department of Transportation entered into a long-term lease with Ports America Corporation (PAC) to manage, operate and maintain the Dundalk Marine terminal. This agreement satisfies the criteria established to be considered a service concession arrangement.

Under the terms of the ground lease, the Department transfers rights to PAC for a term of 50 years. After 50 years ownership of the Dundalk Marine Terminal will revert to the Department. PAC charges and collects fees from the user for container lifts, short tons of roll on-roll off, break-bulk and bulk cargo and pays the operating costs, management fee and debt service associated with the project. The Department has the ability to approve what services the operator is required to provide.

As of June 30, 2016, the capital assets, net of accumulated depreciation were \$49,813,000, and deferred service concession arrangement receipts were \$147,799,000.

In fiscal year 2013, Maryland Transportation Authority and Areas USA entered a 35-year Service Concession Arrangement (SCA) agreement to redevelop and operate two travel plazas along the John F. Kennedy Memorial Highway (I-95). The structure of the agreement between the Authority and Areas USA is a long term lease and concession. The Authority retains ownership of the property and assets. All property and improvements, with the exception of the fueling systems, are returned to the Authority at the end of the 35 year lease. Under the agreement, the Authority should realize reduced future operating and capital expenses; debt capacity will be reserved for core business activities; and revenue is guaranteed over the life of the agreement. Areas USA invested \$55,890,000, which required no public subsidy or debt, to redesign and rebuild both the 48-year-old Maryland House and the 36-year-old Chesapeake House travel plazas. Areas USA will operate and maintain the travel plazas through the year 2047. The unamortized balance as of June 30, 2016 is \$53,222,000, which is reported in the deferred inflow of resources on the Statement of Net Position.

The University System of Maryland has entered into a long-term lease of university-owned land and other SCA agreements with a quasi-governmental issuer of debt and a developer to build, and an operator to manage, student housing projects at seven of the System's institutions.

Under the terms of the ground lease, the System transfers rights to university-owned property for a term of 40 years to the quasi-governmental issuer of debt (the project 'owner'). The project owner contracts with a developer to build student housing on the property, as well as an operator that manages the facility on behalf of the owner. Each student housing project is financed using tax-exempt debt that limits the use of the project to uses that support the institution. The owner of the project charges and collects rent from the students, and pays the operating costs and debt service associated with the project. The residual cash flow from the project, after paying all operating costs and management fees, is paid to the university as the ground lease payment. The institution has the ability to approve what services the operator is required to provide and the rates that can be charged.

Upon final payment of the outstanding debt associated with the project, or upon termination of the ground lease, whichever is sooner, the building's ownership transfers to the university and the owner's rights to use land revert to the university.

As of June 30, 2016, the Statement of Net Position reflects net capital assets of \$347,969,000, and deferred service concession arrangement receipts of \$325,644,000, from this transaction.

22. Special Item – Transfer of Operations

Pursuant to Maryland House Bill 943, effective October 1, 2015, the oversight and management of the Maryland Venture Fund was transferred by operation of law from the Maryland Department of Commerce's Economic Development Loan Programs to TEDCO in a transaction considered a transfer of operations type of government combination. Both entities are included in the State's financial reporting entity. The Maryland Venture Fund, which makes direct investments in early-stage technology and life science companies and indirect investments in venture capital funds, was transferred to TEDCO to administer the fund in accordance with its mandate to commercialize start-up businesses.

As a result of the transfer of operations, TEDCO has recognized the following assets, liabilities, and net position as of the transfer date (amounts expressed in thousands):

Transferred assets:	
Deposits with Financial Institutions	\$ 15,779
Cash and short-term investments on deposit with the State Treasurer	32,643
Total current assets.....	48,422
Notes receivable	4,261
Equity investments	41,428
Total other assets.....	45,689
Total transferred assets and unrestricted net position.....	\$ 94,111

Certain adjustments were made to bring into conformity the individual accounting policies for the initial amounts recognized by TEDCO resulting from the transfer.

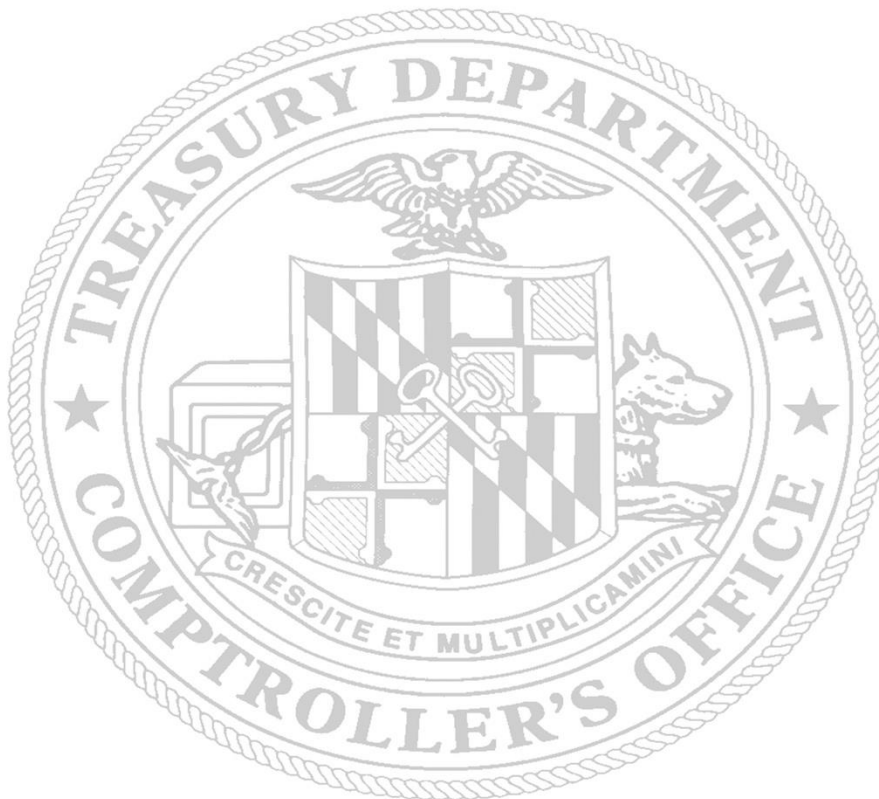
Notes receivable to various borrowers from the Maryland Venture Fund are reported by TEDCO at their outstanding balances reduced by an allowance for doubtful accounts. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering TEDCO's past notes receivable loss experience, known and inherent risks in the notes receivable population, adverse situations that may affect a borrower's ability to pay, and current economic conditions. By comparison, the notes were recorded by the enterprise fund at cost, net of an allowance for loan losses. The notes were subject to review for impairment as part of management's internal asset review process. A note was considered impaired when, based on current information and events, the borrower was deemed unable to repay the outstanding amount given the existing financial condition of the borrower and the underlying collateral based on factors such as economic/industry trends and historical loss experience. The allowance included specific valuation allowances as well as general valuation allowance, if considered necessary. Subsequent collections of cash may be applied as a reduction to the principal balance or recorded as income, depending on management's assessment of the ultimate collectability of the loan. Interest income on impaired loans was recognized only to

the extent that cash payments were received. The resulting difference between the special item – transfer of operations between TEDCO and the enterprise fund for notes receivable is \$2,122,000, and for interest receivable is \$145,000.

Investments made by TEDCO through the Maryland Venture Fund are venture capital investments into early-stage technology and life science companies where there is a significant risk of private capital being deployed. These businesses do not have a proven history of profitability. These investments are valued based on management's consideration of, among other factors, the financial condition, operating results, significant recent events, and other security offerings of the investors. As part of the Maryland Venture Fund program transferred to TEDCO, TEDCO obtained convertible promissory notes in exchange for its agreement to invest in various early-stage technology and life science companies. Upon the occurrence of certain events, TEDCO has the option to exchange the entire outstanding principal amount for an equity investment in the company. By comparison, investments by the enterprise fund were reported at fair value as determined by management after evaluating the operating performance of the portfolio companies and making adjustments to the fair value of those companies. While the future financial condition and corresponding operating result may be uncertain, the enterprise fund's intent was to invest in these companies for a sustained period of time. The resulting difference between the special item – transfer of operations between TEDCO and the enterprise fund for investments is \$7,238,000.

Required Supplementary Information

Comprehensive Annual Financial Report, State of Maryland



STATE OF MARYLAND
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual -
Budgetary General, Special, and Federal Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	General Fund			
	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Income taxes.....	\$ 9,456,914	\$ 9,456,914	\$ 9,392,050	\$ (64,864)
Sales and use taxes	4,544,507	4,544,507	4,444,481	(100,026)
Other taxes	1,209,818	1,209,818	1,154,267	(55,551)
Licenses and fees	185,752	185,752	185,231	(521)
Charges for services.....	298,828	298,828	213,339	(85,489)
Interest and other investment income	31,199	31,199	24,692	(6,507)
Other	596,235	596,235	737,553	141,318
Federal revenue				
Total revenues	16,323,253	16,323,253	16,151,613	(171,640)
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State	157,479	157,479	157,479	
Public debt.....	252,400	252,400	252,400	
Legislative.....	96,723	96,723	83,775	12,948
Judicial review and legal.....	588,090	595,991	568,380	27,611
Executive and administrative control.....	250,809	258,058	232,821	25,237
Financial and revenue administration.....	224,095	225,710	210,964	14,746
Budget and management	90,276	91,060	88,532	2,528
Retirement and pension				
General services.....	62,096	66,684	61,618	5,066
Transportation and highways				
Natural resources and recreation	57,087	58,239	57,249	990
Agriculture.....	26,743	27,425	27,215	210
Health, hospitals and mental hygiene.....	4,173,115	4,239,912	3,913,795	326,117
Human resources	623,325	626,543	610,901	15,642
Labor, licensing and regulation	47,967	49,211	43,907	5,304
Public safety and correctional services	1,174,755	1,229,846	1,182,718	47,128
Public education.....	7,830,404	7,940,313	7,888,631	51,682
Housing and community development	9,213	24,213	16,131	8,082
Business and economic development	105,779	106,061	77,462	28,599
Environment.	33,136	33,611	32,331	1,280
Juvenile services.....	290,122	292,436	267,537	24,899
State police.....	242,027	257,056	256,665	391
State reserve fund	200,000	113,935	92,500	21,435
Reversions.....	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances	16,505,641	16,712,906	16,123,011	589,895
Excess of revenues over (under) expenditures.....	(182,388)	(389,653)	28,602	418,255
Other sources (uses) of financial resources:				
Transfers in (out).....			159,293	159,293
Excess of revenues over (under) expenditures and other sources (uses) of financial resources.....	(182,388)	(389,653)	187,895	577,548
Fund balances - beginning of the year	(6,527,057)	(6,041,689)	1,202,618	7,244,307
Fund balances - end of the year	\$ (6,709,445)	\$ (6,431,342)	\$ 1,390,513	\$ 7,821,855

See accompanying Notes to Required Supplementary Information.

Special Fund				Federal Fund			
Budget Amounts		Actual Amounts	Variance Positive (Negative)	Budget Amounts		Actual Amounts	Variance Positive (Negative)
Original Budget	Final Budget			Original Budget	Final Budget		
\$ 303,962	\$ 304,106	\$ 257,098	\$ (47,008)				
65,000	60,000	59,760	(240)				
2,987,241	2,951,304	3,188,651	237,347				
941,109	945,250	909,150	(36,100)				
2,791,105	2,712,853	2,170,706	(542,147)				
1,000	1,000	16,046	15,046			\$ 2,996	\$ 2,996
1,255,434	1,483,344	1,133,546	(349,798)				
				\$ 11,540,220	\$ 11,580,080	10,982,171	(597,909)
8,344,851	8,457,857	7,734,957	(722,900)	11,540,220	11,580,080	10,985,167	(594,913)
845,378	866,978	857,084	9,894	11,477	11,511	11,511	
156,828	158,367	123,536	34,831	4,137	6,223	4,172	2,051
295,057	308,386	200,643	107,743	251,976	283,777	203,202	80,575
136,054	137,454	123,723	13,731				
33,110	35,152	21,784	13,368	4,315	4,315	627	3,688
21,230	21,447	20,149	1,298				
3,292	4,462	3,193	1,269	1,263	1,271	1,271	
3,990,513	3,910,983	3,742,683	168,300	1,021,093	873,443	810,089	63,354
214,833	224,371	145,467	78,904	38,691	45,422	33,563	11,859
42,344	43,196	35,842	7,354	3,984	4,596	3,893	703
1,342,286	1,444,458	1,338,975	105,483	6,746,637	6,820,413	6,643,197	177,216
111,973	123,453	115,728	7,725	1,862,953	1,883,335	1,764,020	119,315
136,543	139,225	110,372	28,853	202,206	205,304	163,058	42,246
143,665	145,224	136,672	8,552	30,427	31,488	29,343	2,145
519,237	520,552	511,399	9,153	1,287,101	1,308,220	1,054,871	253,349
176,127	188,517	105,819	82,698	302,906	321,370	263,277	58,093
143,111	143,853	46,882	96,971	2,244	2,671	1,593	1,078
666,565	668,549	219,177	449,372	86,803	87,650	75,160	12,490
4,906	4,906	2,999	1,907	7,343	7,361	5,369	1,992
93,911	100,436	95,519	4,917	1,617	8,662	4,919	3,743
9,076,963	9,189,969	7,957,646	1,232,323	11,867,173	11,907,032	11,073,135	833,897
(732,112)	(732,112)	(222,689)	509,423	(326,953)	(326,952)	(87,968)	238,984
		407,916	407,916			87,968	87,968
(732,112)	(732,112)	185,227	917,339	(326,953)	(326,952)		326,952
(5,730,518)	(5,585,571)	1,834,254	7,419,825	(4,278,190)	(4,286,086)		4,286,086
\$ (6,462,630)	\$ (6,317,683)	\$ 2,019,481	\$ 8,337,164	\$ (4,605,143)	\$ (4,613,038)	\$	\$ 4,613,038

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Funds, Fund Balances
to the GAAP General and Special Funds, Fund Balances
June 30, 2016

(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (page 122)	\$ 1,390,513	\$ 2,019,481
Budgetary special funds reclassified to the general fund	1,000,364	(1,000,364)
Budgetary special funds reclassified to other funds		(869,083)
Other non-budgetary funds reclassified to governmental funds	463,008	700
Total of budgetary fund balances reclassified into the governmental funds' fund structure	2,853,885	150,734
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	(24,993)	
Investments	9,789	
Taxes receivable	37,070	4,487
Intergovernmental receivables	(65,111)	
Other accounts receivable	115,097	
Prepaid Items	(49,162)	
Inventories	22,230	100,530
Loans and notes receivable	6	
Due from other funds	(5,584)	124,994
Due from component units	686	
Liabilities and deferred inflows of resources recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable	(130,821)	
Accounts payable and accrued liabilities	(107,010)	6,123
Due to other funds	(647,748)	(1,484)
Accounts payable to political subdivisions	(13,469)	
Unearned revenue	(90,610)	134,688
Accrued self insurance costs	(104,716)	
Deferred inflows of resources	(3,086)	(408,977)
Financial statement governmental funds' fund balances, June 30, 2016 (page 35)	\$ 1,796,453	\$ 111,095

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Schedule of Employer Contributions for
Maryland State Retirement and Pension System*
Year Ending June 30,
(Expressed in Thousands)

	2016	2015
Governmental Activities' Special Funding Situation:		
Actuarially determined contribution	\$ 1,112,989	\$ 1,189,318
Less: Contributions in relation to the actuarially determined contribution	1,084,049	1,063,763
Contribution deficiency.....	<u>\$ 28,940</u>	<u>\$ 125,555</u>
Covered employee payroll.....	\$ 6,611,038	\$ 6,185,176
Actual contributions as a percentage of covered-employee payroll	<u>16.4%</u>	<u>17.2%</u>
Other Governmental Activities:		
Actuarially determined contribution	\$ 566,475	\$ 679,292
Less: Contributions in relation to the actuarially determined contribution.....	528,575	573,635
Contribution deficiency	<u>\$ 37,900</u>	<u>\$ 105,657</u>
Covered employee payroll	\$ 2,428,412	\$ 2,299,572
Actual contributions as a percentage of covered-employee payroll	<u>21.8%</u>	<u>24.9%</u>
Business-Type Activities:		
Actuarially determined contribution	\$ 27,761	\$ 22,316
Less: Contributions in relation to the actuarially determined contribution.....	25,904	18,846
Contribution deficiency	<u>\$ 1,857</u>	<u>\$ 3,470</u>
Covered employee payroll.....	\$ 148,035	\$ 140,181
Actual contributions as a percentage of covered-employee payroll.....	<u>17.5%</u>	<u>13.4%</u>
Component Units:		
Actuarially determined contribution	\$ 130,497	\$ 92,816
Less: Contributions in relation to the actuarially determined contribution	121,766	78,380
Contribution deficiency.....	<u>\$ 8,731</u>	<u>\$ 14,436</u>
Covered employee payroll	\$ 835,211	\$ 790,899
Actual contributions as a percentage of covered-employee payroll	<u>14.6%</u>	<u>9.9%</u>

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule of Employer Contributions

Valuation Date: June 30

Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.*

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2015 actuarial valuation: 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems.
Asset Valuation Method	5-years smoothed market; 20% collar

Other Information:

Notes	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the assumption changes associated with the 2015 Experience Study for the period July 1, 2010 to June 30, 2014. Assumptions first used in the 2015 actuarial valuation and used in the calculation of the Total Pension Liability for fiscal year 2015 are as follows:
Inflation	2.70% general, 3.20% wage.
Salary Increases	3.30% to 9.20% including inflation.
Investment Rate of Return	7.55%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014.

*The Actuarially Determined Contribution is equal to the greater of, (1) The actuarially determined contribution under the System's funding policy before application of the corridor funding method, plus reinvested savings contributions and 2) Employer normal cost plus 30-year amortization of the unfunded liability, plus reinvested savings.

STATE OF MARYLAND
Schedule of Employer's Net Pension Liability for
Maryland State Retirement and Pension System*
Year Ending June 30,
(Amounts Expressed in Thousands)

	2016	2015
State of Maryland's proportion of the collective NPL:		
Governmental Activities' proportion of the System's NPL	32.01%	33.48%
Governmental Activities' special funding proportion of the System's NPL	55.50	55.41
Business-Type Activities proportion of the System's NPL	1.23	1.10
Component Units' proportion of the System's NPL	5.27	4.58
Total	<u>94.01%</u>	<u>94.57%</u>
State of Maryland's proportionate share of the collective NPL:		
Governmental Activities' proportionate share of the System's NPL	\$ 6,650,561	\$ 5,942,113
Governmental Activities' special funding proportionate share of the System's NPL	11,534,251	9,833,881
Business-Type Activities proportionate share of the System's NPL	256,231	195,176
Component Units' proportionate share of the System's NPL	1,095,290	811,894
Total	<u>\$ 19,536,333</u>	<u>\$ 16,783,064</u>
State of Maryland's covered payroll:		
Governmental Activities' covered payroll	\$ 2,428,412	\$ 2,299,572
Governmental Activities' special funding covered payroll	6,611,038	6,185,176
Business-Type Activities covered payroll	148,035	140,181
Component Units' covered payroll	835,211	790,899
Proportionate share of the collective NPL as a percentage of covered payroll:		
Governmental Activities' proportionate share of NPL as a % of covered payroll	273.86%	258.40%
Governmental Activities' special funding proportionate share of NPL as a % of covered payroll	174.47%	158.99%
Business-Type Activities proportionate share of NPL as % of covered payroll	173.09%	139.23%
Component Units' proportionate share of NPL as % of covered payroll	131.14%	102.65%
Plan fiduciary net position as a percentage of total pension liability - All	68.78%	71.87%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer Contributions for
Maryland Transit Administration Pension Plan*
Year Ending June 30,
(Expressed in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 44,736	\$ 40,807	\$ 39,749	\$ 34,582	\$ 32,859	\$ 33,928	\$ 26,151	\$ 24,659	\$ 24,635	\$ 20,872
Less: Contributions in relation to the actuarially determined contribution.....	38,037	38,361	39,749	29,519	37,859	42,528	37,761	27,254	24,245	20,872
Contribution deficiency/(excess).....	<u>\$ 6,699</u>	<u>\$ 2,446</u>	<u>\$ -</u>	<u>\$ 5,063</u>	<u>\$ (5,000)</u>	<u>\$ (8,600)</u>	<u>\$ (11,610)</u>	<u>\$ (2,595)</u>	<u>\$ 390</u>	<u>\$ -</u>
Covered employee payroll	\$ 137,427	\$ 137,680	\$ 135,545	\$ 137,596	\$ 152,276	\$ 147,474	\$ 145,029	\$ 155,560	\$ 144,775	\$ 135,098
Actual contributions as a percentage of covered-employee payroll.....	27.7%	27.9%	29.3%	21.5%	24.9%	28.8%	26.0%	17.5%	16.7%	15.4%

Notes to Schedule

Valuation date:	Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age Normal, Level Dollar
Amortization method	Level Payments (Closed)
Remaining amortization period	Remaining payments range from 5 to 25 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	Rates vary by participant service
Investment rate of return	8.25 % net of investment expenses, including inflation for funded benefits
Retirement age	Rates vary by participant age
Mortality	RP-2014 Blue Collar tables with MP-2014. The RP-2014 Disabled Retiree table is used for disabled members.

* The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

STATE OF MARYLAND
Schedule of Changes in Net Pension Liability and Related Ratio for
Maryland Transit Administration Pension Plan*
For the Year Ended June 30,
(Expressed in Thousands)

	2016	2015	2014
Total pension liability			
Service cost	\$ 45,868	\$ 24,718	\$ 19,438
Interest	31,181	39,236	43,472
Changes of benefit terms	82,510		
Differences between expected and actual experience	(15,024)	(19,621)	4,025
Changes of assumptions	338,950	53,480	38,643
Benefit payments, including refunds of member contributions.....	(35,283)	(30,636)	(32,598)
Net changes in total pension liability	448,202	67,177	72,980
Total pension liability-beginning.....	908,528	841,351	768,371
Total pension liability -ending (a)	<u>\$ 1,356,730</u>	<u>\$ 908,528</u>	<u>\$ 841,351</u>
Plan fiduciary net position			
Contributions-employer	\$ 38,037	\$ 38,361	\$ 39,749
Net investment income	3,513	8,279	28,742
Benefit payments, including refunds.....	(35,283)	(30,636)	(32,598)
Administrative expenses.....	(1,967)	(1,851)	(2,057)
Net change in plan fiduciary net position	4,300	14,153	33,836
Plan fiduciary net position-beginning.....	237,845	223,692	189,856
Plan fiduciary net position-ending (b).....	<u>\$ 242,145</u>	<u>\$ 237,845</u>	<u>\$ 223,692</u>
Net pension liability-ending (a)-(b).....	<u>\$ 1,114,585</u>	<u>\$ 670,683</u>	<u>\$ 617,659</u>
Plan fiduciary net position as a percentage of the total pension liability.....	17.8%	26.2%	26.6%
Covered employee payroll	\$ 137,427	\$ 137,680	\$ 135,545
Employer net pension liability as a percent of covered-employee payroll	811.0%	487.1%	455.7%

Notes to Schedule

Benefit Changes: Fiscal year 2016 reflects the removal of the dollar-per-month benefit limit.
Changes of Assumptions: Fiscal year 2016 reflects a reduction to the effective discount rate from 4.75% to 3.5% and a change to the RP 2014 Blue Collar mortality tables with MP 2014 generational projection.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer' Net Pension Liability for
Maryland Transit Administration Pension Plan*
June 30,
(Expressed in Thousands)

	2016	2015	2014
Total pension liability.....	\$ 1,356,730	\$ 908,528	\$ 841,351
Plan fiduciary net position.....	242,145	237,845	223,692
Employer net pension liability	<u>\$ 1,114,585</u>	<u>\$ 670,683</u>	<u>\$ 617,659</u>
Plan fiduciary net position as a percentage of the total pension liability	17.85%	26.18%	26.59%
Covered employee payroll.....	\$ 137,427	\$ 137,680	\$ 135,545
Employer net pension liability as a percent of covered-employee payroll.....	<u>811.04%</u>	<u>487.13%</u>	<u>455.69%</u>

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Investment Returns for
Maryland State Transit Administration Pension Plan*
Year Ending June 30,
(Expressed in Thousands)

Fiscal Year Ended	Annual money- weighted rate of return, net of investment expenses
2016.....	1.5%
2015.....	3.7%
2014	14.4%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for
Other Post-Employment Benefits Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2016	\$ 291,462	\$ 12,080,912	\$ (11,789,450)	2.4 %	\$ 4,997,602	(235.9)%
2015	275,329	9,643,607	(9,368,278)	2.9	4,929,100	(190.1)
2014	250,110	8,964,286	(8,714,176)	2.8	4,803,627	(181.4)

Required Supplemental Schedule of Employer Contributions
and Other Contributing Entities for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed		
		Employer Contributions (a)	Other Contributing Entities (b)	Total
2016	\$ 634,552	75.6 %	- %	75.6 %
2015	574,359	74.0	-	74.0
2014	576,050	69.4	-	69.4

Required Supplemental Schedule of Funding Progress for
Maryland Transit Administration Retiree Healthcare Benefit

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2015*	\$ -	\$ 640,496	\$ (640,496)	- %	\$ 137,427	(466.1)%
2014	-	607,063	(607,063)	-	135,545	(447.9)
2013	-	670,833	(670,833)	-	137,596	(487.5)

*A biennial actuarial valuation was made as of June 30, 2015.

Required Supplemental Schedule of Employer Contributions for
Maryland Transit Administration Retiree Healthcare Benefit Plan

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Actual Contribution Entry Age	Percentage Contributed
2016	\$ 72,624	\$ 15,296	21.1 %
2015	67,496	13,905	20.6
2014	70,512	18,383	26.1

(a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).

(b) Other contributing entities consist of the Federal medicare drug subsidy contributed to the OPEB Trust.

STATE OF MARYLAND
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level of the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2016, the General Assembly approved a net increase in General Fund appropriations of \$207,264,000. Appropriations for programs funded by, in whole or in part, from the special or federal funds, may permit expenditures in excess of original special or federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances, Budget and Actual for the year ended June 30, 2016. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differ from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2016, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund Balances" immediately following the budgetary schedule.



Combining Financial Statements

Comprehensive Annual Financial Report, State of Maryland



STATE OF MARYLAND

Non-major Governmental Funds

Debt Service Funds

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

Capital Projects Funds

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

STATE OF MARYLAND
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

(Expressed in Thousands)

	Debt Service Funds		Capital	Total Non-major
	General	Transportation	Projects	Governmental
	Obligation	Bonds	Fund	Funds
	Bonds			
Assets:				
Equity in pooled invested cash.....			\$ 25,366	\$ 25,366
Investments.....			644,531	644,531
Restricted Assets:				
Cash with fiscal agent.....	\$ 31,129			31,129
Equity in pooled invested cash	208,307	\$ 12,379		220,686
Investments.....	16,354			16,354
Taxes receivable, net.....	17,891			17,891
Other accounts receivable	335			335
Loans and notes receivable, net	1,490			1,490
Total assets	<u>\$ 275,506</u>	<u>\$ 12,379</u>	<u>\$ 669,897</u>	<u>\$ 957,782</u>
Liabilities:				
Vouchers payable.....			\$ 56,834	\$ 56,834
Accounts payable and accrued liabilities.....			33,283	33,283
Due to other funds			50,672	50,672
Accounts payable to political subdivisions.....			16,659	16,659
Total liabilities.....			<u>157,448</u>	<u>157,448</u>
Fund balances:				
Restricted	\$ 275,506	\$ 12,379		287,885
Committed			661,477	661,477
Unassigned			(149,028)	(149,028)
Total fund balance.....	<u>275,506</u>	<u>12,379</u>	<u>512,449</u>	<u>800,334</u>
Total liabilities and fund balances.....	<u>\$ 275,506</u>	<u>\$ 12,379</u>	<u>\$ 669,897</u>	<u>\$ 957,782</u>

STATE OF MARYLAND
Combining Statement of Revenues, Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Debt Service Funds		Capital	Total
	General	Transportation	Projects	Non-major
	Obligation	Bonds	Fund	Governmental
	Bonds	Bonds		Funds
Revenues:				
Property taxes	\$ 745,851			\$ 745,851
Interest and other investment income	1,360		\$ 762	2,122
Federal revenue	11,511			11,511
Other	364	\$ 1,728		2,092
Total revenue	759,086	1,728	762	761,576
Expenditures:				
Education			311,109	311,109
Aid to higher education			455,492	455,492
Intergovernmental grants and revenue sharing			283,722	283,722
Capital outlays			129,418	129,418
Debt service:				
Principal retirement	752,554	174,165		926,719
Interest	377,976	90,193		468,169
Bond issuance costs			2,988	2,988
Total expenditures	1,130,530	264,358	1,182,730	2,577,617
Deficiency of revenues under expenditures	(371,444)	(262,630)	(1,181,968)	(1,816,041)
Other sources (uses) of financial resources:				
Bonds issued			1,540,624	1,540,624
Bond premium	171,124	15,685	52,152	238,961
Transfers in	258,910	259,324	49,482	567,716
Transfers out			(77,620)	(77,620)
Total other sources of financial resources	430,034	275,009	1,564,638	2,269,681
Net changes in fund balances	58,591	12,379	382,670	453,640
Fund balances, beginning of year	216,915		129,779	346,694
Fund balances, end of year	\$ 275,506	\$ 12,379	\$ 512,448	\$ 800,334

STATE OF MARYLAND

Non-major Enterprise Funds

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State and federal agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2016

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Assets-			
Current assets:			
Equity in pooled invested cash	\$ 1,191	\$ 13,705	\$ 14,896
Other accounts receivable		8,736	8,736
Inventories		11,459	11,459
Loans and notes receivable, net	54		54
Other assets	832	174	1,006
Restricted equity in pooled invested cash	82,068		82,068
Total current assets	84,145	34,074	118,219
Non-current assets:			
Investments	2,244		2,244
Loans and notes receivable, net	247		247
Capital assets, net of accumulated depreciation:			
Structures and improvements		2,498	2,498
Equipment		3,102	3,102
Total non-current assets	2,491	5,600	8,091
Total assets	86,636	39,674	126,310
Deferred outflows of resources		3,164	3,164
Liabilities-			
Current liabilities:			
Accounts payable and accrued liabilities	261	1,448	1,709
Accrued insurance on loan losses	11,800		11,800
Other liabilities	340	865	1,205
Unearned revenue	848	883	1,731
Total current liabilities	13,249	3,196	16,445
Non-current liabilities:			
Other liabilities	2,338	11,374	13,712
Total non-current liabilities	2,338	11,374	13,712
Total liabilities	15,587	14,570	30,157
Deferred inflows of resources		975	975
Net Position-			
Net investment in capital assets		5,600	5,600
Restricted for insurance programs	82,075		82,075
Unrestricted (deficit)	(11,026)	21,693	10,667
Total net position	\$ 71,049	\$ 27,293	\$ 98,342

STATE OF MARYLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Operating revenues:			
Charges for services and sales	\$ 1,619	\$ 61,440	\$ 63,059
Unrestricted interest on loan income	531		531
Other	68		68
Total operating revenues	2,218	61,440	63,658
Operating expenses:			
Cost of sales and services		48,390	48,390
General and administrative	1,788	8,849	10,637
Depreciation and amortization		951	951
Provision for insurance on loan losses	1,584		1,584
Total operating expenses	3,372	58,190	61,562
Operating income (loss)	(1,154)	3,250	2,096
Non-operating revenues (expenses):			
Restricted investment income	943		943
Other		4	4
Total non-operating revenues (expenses)	943	4	947
Income before capital contributions and transfers	(211)	3,254	3,043
Transfers out	(869)		(869)
Changes in net position	(1,080)	3,254	2,174
Total net position - beginning of the year	72,129	24,039	96,168
Total net position - end of the year	\$ 71,049	\$ 27,293	\$ 98,342

STATE OF MARYLAND
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers.....	\$ 1,215	\$ 59,964	\$ 61,179
Payments to suppliers.....		(40,177)	(40,177)
Payments to employees.....	(1,750)	(15,932)	(17,682)
Other receipts.....	586		586
Other payments.....	(1,513)		(1,513)
Net cash from operating activities.....	(1,462)	3,855	2,393
Cash flows from non-capital financing activities:			
Transfers out	(869)		(869)
Net cash from non-capital financing activities.....	(869)		(869)
Cash flows from capital and related financing activities:			
Acquisition of capital assets		(233)	(233)
Net cash from capital and related financing activities.....		(233)	(233)
Cash flows from investing activities:			
Interest received on debt instruments of other entities	944		944
Net cash from investing activities.....	944		944
Net change in cash and cash equivalents.....	(1,387)	3,622	2,235
Balance - beginning of the year	84,646	10,083	94,729
Balance - end of the year.....	\$ 83,259	\$ 13,705	\$ 96,964
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss).....	\$ (1,154)	\$ 3,250	\$ 2,096
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization.....		951	951
Deferred inflows of resources.....		(32)	(32)
Deferred outflows of resources.....		(1,634)	(1,634)
Effect of changes in non-cash operating assets and liabilities:			
Other accounts receivable.....		(1,794)	(1,794)
Inventories.....		1,880	1,880
Loans and notes receivable.....	(127)		(127)
Other assets	(212)	185	(27)
Accounts payable and accrued liabilities.....	(93)	(848)	(941)
Accrued insurance and loan losses.....	(102)		(102)
Unearned revenue.....	(6)	318	312
Other liabilities.....	232	1,579	1,811
Net cash from operating activities	\$ (1,462)	\$ 3,855	\$ 2,393

STATE OF MARYLAND

Fiduciary Funds

The Pension and Other Post-Employment Benefits Trust Funds include the Maryland State Retirement and Pension System, Maryland Transit Administration Pension Plan, Deferred Compensation Plan, and Post-Employment Health Benefits Trust Fund. The Pension Trust Funds reflect the transactions, assets, liabilities and net position of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency. The Other Post-Employment Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's post-retirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions and account balances are accounted for using the flow of economic resources measurement focus.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employee's payroll.

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
June 30, 2016

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Postretirement Health Benefits Trust Fund	Deferred Compensation Plan December 31, 2015	Total
Assets:					
Cash	\$ 1,362,318	\$ 2,259		\$ 3,944	\$ 1,368,521
Equity in pooled invested cash	3,837				3,837
Investments:					
U.S. Treasury and agency obligations	5,690,225	35,964	\$ 39,254		5,765,443
Bonds	3,176,577	17,481	33,640		3,227,698
Corporate equity securities	15,039,237	84,945	152,885		15,277,067
Mortgage related securities	1,590,173	8,475	7,379		1,606,027
Mutual funds				2,446,855	2,446,855
Guaranteed investment contracts				768,555	768,555
Real estate	3,060,479		28,103		3,088,582
Annuity contracts				81,209	81,209
Private equity	4,146,734				4,146,734
Commingled funds	10,077,473	93,021	14,794		10,185,288
Investment held by borrowers under securities lent with cash collateral	2,025,140				2,025,140
Total investments	44,806,038	239,886	276,055	3,296,619	48,618,598
Other receivables	560,540			37,686	598,226
Collateral for lent securities	2,070,270				2,070,270
Total assets	48,803,003	242,145	276,055	3,338,249	52,659,452
Liabilities:					
Accounts payable and accrued liabilities	1,366,807		6		1,366,813
Collateral obligation for lent securities	2,070,270				2,070,270
Total liabilities	3,437,077		6		3,437,083
Net position held in trust for:					
Pension benefits	45,365,926	242,145			45,608,071
Deferred compensation benefits				3,338,249	3,338,249
Postretirement health benefits			276,049		276,049
Total net position	\$ 45,365,926	\$ 242,145	\$ 276,049	\$ 3,338,249	\$ 49,222,369

STATE OF MARYLAND
Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Postretirement Health Benefits Trust Fund	Deferred Compensation Plan December 31, 2015	Total
Additions:					
Contributions:					
Employers.....	\$ 1,138,835	\$ 25,775	\$ 490,765	\$ 10	\$ 1,655,385
Members.....	764,414			163,723	928,137
Sponsors	731,820				731,820
Total contributions.....	2,635,069	25,775	490,765	163,733	3,315,342
Investment earnings:					
Net appreciation (depreciation) in fair value of investments.....	(940,988)	3,007	2,899	(6,641)	(941,723)
Interest	385,978	12,768	104	20,757	419,607
Dividends	1,382,213				1,382,213
Total investment income.....	827,203	15,775	3,003	14,115	860,097
Less: investment expense.....	329,672		122		329,794
Net investment income.....	497,531	15,775	2,881	14,115	530,303
Total additions	3,132,600	41,550	493,646	177,848	3,845,644
Deductions:					
Benefit payments.....	3,469,493	35,283	490,765	214,603	4,210,144
Refunds.....	58,362				58,362
Administrative expenses.....	28,659	1,967		4,610	35,236
Total deductions.....	3,556,514	37,250	490,765	219,213	4,303,742
Changes in net position	(423,914)	4,300	2,881	(41,364)	(458,098)
Net position held in trust for pension and other employee benefits:					
Beginning of the year	45,789,840	237,845	273,168	3,379,613	49,680,466
End of the year.....	\$ 45,365,926	\$ 242,145	\$ 276,049	\$ 3,338,249	\$ 49,222,369

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Maryland State Retirement and Pension System
June 30, 2016

(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Assets:								
Cash	\$ 839,007	\$ 423,044	\$ 48,678	\$ 16,336	\$ 35,253	\$ 1,362,318		\$ 1,362,318
Equity in pooled invested cash.....	3,837					3,837		3,837
Investments, at fair value	27,206,024	15,162,030	1,248,265	399,513	790,206	44,806,038		44,806,038
Other receivables.....	323,307	208,724	15,477	4,586	8,446	560,540		560,540
Due from other systems	43,729	12,157	18		362	56,266	\$ (56,266)	
Collateral for lent securities	1,255,736	701,870	57,808	18,498	36,358	2,070,270		2,070,270
Total assets	29,671,640	16,507,825	1,370,246	438,933	870,625	48,859,269	(56,266)	48,803,003
Liabilities:								
Accounts payable and accrued liabilities	829,225	462,702	38,306	12,773	23,801	1,366,807		1,366,807
Due to other system	44,466	11,800				56,266	(56,266)	
Collateral obligation for lent securities.....	1,255,736	701,870	57,808	18,498	36,358	2,070,270		2,070,270
Total liabilities	2,129,427	1,176,372	96,114	31,271	60,159	3,493,343	(56,266)	3,437,077
Net Position:								
Held in trust for pension benefits.....	\$ 27,542,213	\$ 15,331,453	\$ 1,274,132	\$ 407,662	\$ 810,466	\$ 45,365,926	\$ -	\$ 45,365,926

* Intersystem balances have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Maryland State Retirement and Pension System
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Additions:								
Contributions:								
Employers.....	\$ 353,767	\$ 639,405	\$ 72,320	\$ 18,384	\$ 54,959	\$ 1,138,835	\$	\$ 1,138,835
Members.....	464,470	278,944	7,251	2,863	10,886	764,414		764,414
Sponsors.....	730,282	1,538				731,820		731,820
Total contributions	1,548,519	919,887	79,571	21,247	65,845	2,635,069		2,635,069
Investment earnings:								
Net increase in fair value of investments	(570,336)	(319,370)	(26,396)	(8,455)	(16,431)	(940,988)		(940,988)
Interest	229,121	128,249	10,568	3,383	6,623	377,944		377,944
Dividends	838,030	468,994	38,617	12,363	24,209	1,382,213		1,382,213
Income from securities lending	4,873	2,725	224	72	140	8,034		8,034
Total investment income.....	501,688	280,598	23,013	7,363	14,541	827,203		827,203
Less: investment expense.....	199,914	111,823	9,207	2,948	5,780	329,672		329,672
Net investment income	301,774	168,775	13,806	4,415	8,761	497,531		497,531
Total additions	1,850,293	1,088,662	93,377	25,662	74,606	3,132,600		3,132,600
Deductions:								
Benefit payments.....	2,028,004	1,226,291	121,534	30,487	63,177	3,469,493		3,469,493
Refunds	28,252	29,067	383		660	58,362		58,362
Administrative expenses.....	15,589	12,451	206	45	368	28,659		28,659
Total deductions	2,071,845	1,267,809	122,123	30,532	64,205	3,556,514		3,556,514
Net system transfers.....	(163)	(191)	41		313			
Changes in net position	(221,715)	(179,338)	(28,705)	(4,870)	10,714	(423,914)		(423,914)
Net position held in trust for pension benefits:								
Beginning of the year.....	27,763,928	15,510,791	1,302,837	412,532	799,752	45,789,840		45,789,840
End of the year	\$ 27,542,213	\$ 15,331,453	\$ 1,274,132	\$ 407,662	\$ 810,466	\$ 45,365,926	\$ -	\$ 45,365,926

*Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Deferred Compensation Plan
December 31, 2015
(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Assets:					
Cash	\$ 3,944				\$ 3,944
Investments, at fair value.....	1,476,705	\$ 1,566,602	\$ 171,152	\$ 82,160	3,296,619
Other receivables.....	18,242	19,098		346	37,686
Total assets.....	1,498,891	1,585,700	171,152	82,506	3,338,249
Net position:					
Held in trust for deferred compensation benefits.....	\$ 1,498,891	\$ 1,585,700	\$ 171,152	\$ 82,506	\$ 3,338,249

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Deferred Compensation Plan
For the Year Ended December 31, 2015
(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Contributions:					
Employers.....			\$ 10		\$ 10
Members.....	\$ 66,812	\$ 94,255		\$ 2,656	163,723
Total contributions.....	66,812	94,255	10	2,656	163,733
Investment earnings:					
Net increase in fair value of investments.....	(3,630)	(2,596)	(102)	(312)	(6,641)
Interest.....	12,499	7,354	669	235	20,757
Net investment income.....	8,868	4,757	567	(77)	14,115
Total additions.....	75,680	99,013	577	2,579	177,848
Deductions:					
Benefit payments.....	99,293	99,555	9,303	6,452	214,603
Administrative expenses.....	1,942	2,331	219	118	4,610
Total deductions.....	101,235	101,886	9,522	6,570	219,213
Changes in net position.....	(25,555)	(2,874)	(8,944)	(3,991)	(41,364)
Net position held in trust for pension and other employee benefits:					
Beginning of the year.....	1,524,446	1,588,574	180,097	86,497	3,379,613
End of the year.....	\$ 1,498,891	\$ 1,585,700	\$ 171,152	\$ 82,506	\$ 3,338,249

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2016
(Expressed in Thousands)

	Agency Funds					
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	Total Agency Funds
Assets:						
Cash		\$ 10	\$ 49,536		\$ 51,306	\$ 100,852
Equity in pooled invested cash.....	\$ 513,217	95,623	16,839	\$ 389	14,230	640,298
Taxes receivable, net.....	173,745					173,745
Intergovernmental receivables	232,549			76		232,625
Accounts receivable from state treasury	640,000					640,000
Total assets	\$ 1,559,511	\$ 95,633	\$ 66,375	\$ 465	\$ 65,536	\$ 1,787,520
Liabilities:						
Accounts payable and accrued liabilities		\$ 95,633	\$ 4,182	\$ 465	\$ 61,350	\$ 161,630
Accounts payable to political subdivisions	\$ 1,559,511		62,193		4,186	1,625,890
Total liabilities	\$ 1,559,511	\$ 95,633	\$ 66,375	\$ 465	\$ 65,536	\$ 1,787,520

STATE OF MARYLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<i>Litigant, Patient and Prisoner Accounts</i>				
Assets:				
Cash	\$ 52,274	\$ 75,722	\$ 76,690	\$ 51,306
Equity in pooled invested cash	8,979	22,172	16,921	14,230
Total assets	\$ 61,253	\$ 97,894	\$ 93,611	\$ 65,536
Liabilities:				
Accounts payable and accrued liabilities	\$ 56,804	\$ 97,678	\$ 93,132	\$ 61,350
Accounts payable to political subdivisions	4,449	216	479	4,186
Total liabilities	\$ 61,253	\$ 97,894	\$ 93,611	\$ 65,536
<i>Insurance Premium Taxes</i>				
Assets:				
Cash	\$ 10			\$ 10
Equity in pooled invested cash	94,205	\$ 35,989	\$ 34,571	95,623
Total assets	\$ 94,215	\$ 35,989	\$ 34,571	\$ 95,633
Liabilities:				
Accounts payable and accrued liabilities	\$ 94,215	\$ 35,989	\$ 34,571	\$ 95,633
<i>Local Income Taxes</i>				
Assets:				
Equity in pooled invested cash	\$ 937,281	\$ 5,083,951	\$ 5,508,015	\$ 513,217
Taxes receivable	203,109	173,745	203,109	173,745
Intergovernmental receivables		232,549		232,549
Accounts receivable from state treasury	650,000		10,000	640,000
Total assets	\$ 1,790,390	\$ 5,490,245	\$ 5,721,124	\$ 1,559,511
Liabilities:				
Accounts payable to political subdivisions	\$ 1,790,390	\$ 5,490,245	\$ 5,721,124	\$ 1,559,511
<i>Local Transportation Funds and Other Taxes</i>				
Assets:				
Cash	\$ 15,912	\$ 33,624		\$ 49,536
Equity in pooled invested cash	18,511	173,526	\$ 175,198	16,839
Total assets	\$ 34,423	\$ 207,150	\$ 175,198	\$ 66,375
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,909	\$ 4,182	\$ 5,909	\$ 4,182
Accounts payable to political subdivisions	28,514	202,968	169,289	62,193
Total liabilities	\$ 34,423	\$ 207,150	\$ 175,198	\$ 66,375
<i>Payroll Taxes and Fringe Benefits</i>				
Assets:				
Equity in pooled invested cash	\$ 503	\$ 1,887,276	\$ 1,887,390	\$ 389
Intergovernmental receivables	17	76	17	76
Total assets	\$ 520	\$ 1,887,352	\$ 1,887,407	\$ 465
Liabilities:				
Accounts payable and accrued liabilities	\$ 520	\$ 1,887,352	\$ 1,887,407	\$ 465
<i>Totals - All Agency Funds</i>				
Assets:				
Cash	\$ 68,196	\$ 109,346	\$ 76,690	\$ 100,852
Equity in pooled invested cash	1,059,479	7,202,914	7,622,095	640,298
Taxes receivable	203,109	173,745	203,109	173,745
Intergovernmental receivables	17	232,625	17	232,625
Accounts receivable from state treasury	650,000		10,000	640,000
Total assets	\$ 1,980,801	\$ 7,718,630	\$ 7,911,911	\$ 1,787,520
Liabilities:				
Accounts payable and accrued liabilities	\$ 157,448	\$ 2,025,201	\$ 2,021,019	\$ 161,630
Accounts payable to political subdivisions	1,823,353	5,693,429	5,890,892	1,625,890
Total liabilities	\$ 1,980,801	\$ 7,718,630	\$ 7,911,911	\$ 1,787,520

STATE OF MARYLAND

Non-major Component Unit Financial Statements

Non-major Component Units

Non-major component units are comprised of the following proprietary fund type entities.

Maryland Environmental Service

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Food Center Authority

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Technology Development Corporation

The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The Corporation administers the Maryland Technology Incubator program, Maryland Stem Cell Research Fund and Maryland Venture Fund.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Component Units
June 30, 2016

(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Maryland Stadium Authority	Total Non-major Component Units
Assets:						
Cash	\$ 21,482		\$ 8	\$ 30,048	\$ 542	\$ 52,080
Equity in pooled invested cash		\$ 32,689	3,854	26,381	69,417	132,341
Investments	5,997			50,145		56,142
Other accounts receivable.....	23,970		229	1,738	8,796	34,733
Due from primary government.....				9,310	4,182	13,492
Loans and notes receivable, net.....				6,370	2,852	9,222
Investments in direct financing leases.....					121,543	121,543
Other assets	11,390		12	204	305	11,911
Restricted assets:						
Cash.....	215					215
Investments	2,224				371,301	373,525
Capital assets, net of accumulated depreciation:						
Land.....	5,952		4,109			10,061
Structures and improvements.....	29,416		15,204		88,920	133,540
Infrastructure.....	284					284
Equipment	7,520		622	193	4,957	13,292
Construction in progress.....			3,828			3,828
Total assets	108,450	32,689	27,866	124,389	672,815	966,209
Deferred outflows of resources.....	767		319		4,208	5,294
Liabilities:						
Accounts payable and accrued liabilities	21,747		428	16,552	56,962	95,689
Due to Primary Government.....				686		686
Unearned revenue		70	101	5,240	176	5,587
Accrued insurance on loan losses		2,614				2,614
Other liabilities			226			226
Bonds and notes payable:						
Due within one year.....	1,102				26,749	27,851
Due in more than one year	20,185				510,432	530,617
Other noncurrent liabilities:						
Due within one year.....	19,160		122		148	19,430
Due in more than one year	15,609		1,688		24,959	42,256
Total liabilities	77,803	2,684	2,565	22,478	619,426	724,956
Deferred inflows of resources	221		33		634	888
Net position:						
Net investment in capital assets.....	17,502		23,763	193	50,857	92,315
Restricted:						
Debt service					2,257	2,257
Capital improvements and deposits	12			9		21
Unrestricted	13,679	30,005	1,824	101,709	3,849	151,066
Total net position	\$ 31,193	\$ 30,005	\$ 25,587	\$ 101,911	\$ 56,963	\$ 245,659

STATE OF MARYLAND
Combining Statement of Activities
Non-major Component Units
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Maryland Stadium Authority	Total Non-major Component Units
Expenses:						
General and administrative	\$ 14,768	\$ 2,724	\$ 1,336	\$ 621	\$ 11,001	\$ 30,450
Operation and maintenance of facilities	145,361		2,531		29,803	177,695
Provision for insurance on loan losses, net		703				703
Interest on long-term debt	1,193				9,660	10,853
Depreciation and amortization	2,905		968	55	17,381	21,309
Other	1,671			23,320	28,063	53,054
Total expenses	165,898	3,427	4,835	23,996	95,908	294,064
Program revenues:						
Charges for services and sales	163,805	471	5,413	807	50,302	220,798
Total charges for services	163,805	471	5,413	807	50,302	220,798
Operating grants and contributions	2,061			21,776	36,975	60,812
Total program revenues	165,866	471	5,413	22,583	87,277	281,610
Net program revenue (expense)	(32)	(2,956)	578	(1,413)	(8,631)	(12,454)
General revenues:						
Unrestricted investment income	33	349	31	1,085		1,498
Total general revenues	33	349	31	1,085		1,498
Special item - transfer of operations				94,111		94,111
Change in net position	1	(2,607)	609	93,783	(8,631)	83,155
Net position - beginning of the year	31,192	32,612	24,978	8,128	65,594	162,504
Net position - end of the year	\$ 31,193	\$ 30,005	\$ 25,587	\$ 101,911	\$ 56,963	\$ 245,659



Statistical Section

Comprehensive Annual Financial Report, State of Maryland



Statistical Section

This part of the State’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State’s economic condition.

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Demographic and Economic Information

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Operating Information

These schedules contain service data to help the reader understand how the information in the State’s financial report relates to the services the State provides and the activities it performs..... 176

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATE OF MARYLAND
Net Position by Component, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets.....	\$ 15,311,051	\$ 14,737,916	\$ 14,312,895	\$ 14,203,503	\$ 13,771,338	\$ 13,669,573	\$ 13,796,006	\$ 14,381,207	\$ 14,267,201	\$ 13,853,102
Restricted	299,288	233,403	214,000	241,446	229,448	200,791	154,372	126,583	87,879	88,808
Unrestricted (deficit)	(25,671,817)	(25,444,098)	(12,086,503)	(10,915,188)	(10,023,466)	(8,238,126)	(6,664,836)	(5,152,460)	(2,273,983)	(559,318)
Total governmental activities net position...	\$ (10,061,478)	\$ (10,472,779)	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097	\$ 13,382,592
Business-type activities:										
Net investment in capital assets.....	\$ 3,278,343	\$ 3,070,913	\$ 2,780,663	\$ 2,396,073	\$ 2,314,382	\$ 2,117,369	\$ 1,554,706	\$ 1,368,562	\$ 1,685,176	\$ 1,613,891
Restricted.....	1,901,482	1,981,316	2,074,041	2,267,356	2,219,474	2,002,872	2,281,572	2,321,225	2,421,939	1,835,767
Unrestricted	2,457,957	2,213,139	2,208,475	2,112,651	1,855,353	1,602,600	1,453,631	1,498,587	1,250,324	1,725,338
Total business-type activities net position...	\$ 7,637,782	\$ 7,265,368	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439	\$ 5,174,996
Primary government:										
Net investment in capital assets	\$ 18,589,394	\$ 17,808,829	\$ 17,093,558	\$ 17,093,558	\$ 16,599,576	\$ 16,085,720	\$ 15,786,942	\$ 15,350,712	\$ 15,749,769	\$ 15,952,377
Restricted.....	2,200,770	2,214,719	2,288,041	2,288,041	2,508,802	2,448,922	2,203,663	2,435,944	2,447,808	2,509,818
Unrestricted (deficit)	(23,213,860)	(23,230,959)	(9,878,028)	(9,878,028)	(8,802,537)	(8,168,113)	(6,635,526)	(5,211,205)	(3,653,873)	(1,023,659)
Total primary government net position.....	\$ (2,423,696)	\$ (3,207,411)	\$ 9,503,571	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704	\$ 17,438,536

STATE OF MARYLAND
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities (1):										
Expenses.....	\$ 34,595,952	\$ 33,955,678	\$ 32,979,215	\$ 31,110,854	\$ 31,045,539	\$ 31,067,223	\$ 29,909,914	\$ 28,467,897	\$ 26,793,866	\$ 24,691,358
Program revenues.....	14,422,414	14,239,658	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565
Net (expense)/revenue, governmental activities	(20,173,537)	(19,716,020)	(19,757,947)	(18,454,877)	(18,689,388)	(18,064,667)	(17,702,208)	(18,290,873)	(18,124,715)	(16,021,793)
General revenues and other changes, governmental activities	20,584,839	19,853,048	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460
Change in net position, governmental activities.....	411,302	137,028	(1,058,746)	(447,559)	(1,654,918)	(1,653,304)	(2,069,788)	(2,547,899)	(1,301,495)	(313,333)
Net position, beginning.....	(10,472,780)	2,440,392	3,529,761	3,977,320	5,632,238	7,285,542	9,355,330	12,081,097	13,382,592	13,695,925
Restatement (2)		(13,050,199)	(30,623)					(177,868)		
Net position, ending, governmental activities	\$ (10,061,478)	\$ (10,472,779)	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097	\$ 13,382,592
Business-type activities (1):										
Expenses.....	\$ 3,576,982	\$ 3,519,427	\$ 3,560,492	\$ 3,724,891	\$ 3,751,849	\$ 3,666,971	\$ 3,905,705	\$ 3,191,998	\$ 2,308,944	\$ 2,204,570
Program revenues.....	5,025,995	4,847,349	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801
Net (expense)/revenue, business- type activities	1,449,013	1,327,922	1,207,125	1,164,926	1,165,517	955,105	722,567	131,652	634,575	618,231
General revenues and other changes, business-type activities	(973,165)	(935,046)	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)	(318,898)
Special item - Transfer of operations	(103,434)									
Change in net position, business- type activities.....	372,414	392,876	327,641	386,871	666,368	432,932	116,841	(311,504)	182,443	299,333
Net position, beginning.....	7,265,368	7,063,179	6,776,080	6,389,209	5,722,841	5,289,909	5,188,374	5,357,439	5,174,996	4,875,663
Restatement (2).....		(190,687)	(40,542)				(15,306)	142,439		
Net position, ending, business- type activities.....	\$ 7,637,782	\$ 7,265,368	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439	\$ 5,174,996
Primary government:										
Expenses	\$ 38,172,934	\$ 37,475,105	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810	\$ 26,895,928
Program revenues.....	19,448,409	19,087,007	17,988,885	17,545,794	17,273,517	17,624,632	16,835,978	13,500,674	11,612,670	11,492,366
Net (expense)/revenue, primary government.....	(18,724,524)	(18,388,098)	(18,550,822)	(17,289,951)	(17,523,871)	(17,109,562)	(16,979,641)	(18,159,221)	(17,490,140)	(15,403,562)
General revenues and other changes, primary government.....	19,611,674	18,918,002	17,819,717	17,229,263	16,535,321	15,889,190	15,026,694	15,299,818	16,371,088	15,389,562
Special item - Transfer of operations.....	(103,434)									
Change in net position, primary government	783,716	529,904	(731,105)	(60,688)	(988,550)	(1,220,372)	(1,952,947)	(2,859,403)	(1,119,052)	(14,000)
Net position, beginning	(3,207,412)	9,503,571	10,305,841	10,366,529	11,355,079	12,575,451	14,543,704	17,438,536	18,557,588	18,571,588
Restatement.....		(13,240,886)	(71,165)				(15,306)	(35,429)		
Net position ending, primary government.....	\$ (2,423,696)	\$ (3,207,411)	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704	\$ 17,438,536	\$ 18,557,588

(1) See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.

(2) Beginning net position balances were restated for fiscal year 2009 to recognize pollution remediation obligations for governmental activities and a prior period adjustment for capital assets of the Maryland Transportation Authority in the business-type activities. Beginning net position was restated for fiscal year 2010 due to implementation of GASB Statement No. 53.

Beginning net position was restated for fiscal year 2014 due to implementation of GASB Statement No. 65 and for fiscal year 2015 due to implementation of GASB Statement No. 68.

STATE OF MARYLAND
Expenses by Function, Primary Government
Last Ten Fiscal Years
(accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
Functions/Programs	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Government activities:										
General government	\$ 880,414	\$ 861,601	\$ 832,041	\$ 894,637	\$ 871,352	\$ 865,519	\$ 837,542	\$ 835,858	\$ 815,107	\$ 712,936
Health and mental hygiene	12,215,519	11,995,583	11,078,408	10,038,006	9,870,227	9,592,240	9,174,006	8,398,880	7,648,495	7,400,023
Education	7,860,472	7,765,925	7,970,236	7,695,521	7,790,385	7,896,010	7,294,358	7,173,417	6,834,608	6,469,864
Aid for higher education	2,351,057	2,200,669	2,042,523	1,918,549	1,898,244	1,921,224	1,908,027	1,878,043	1,851,379	1,299,090
Human resources	2,510,369	2,544,917	2,584,755	2,611,879	2,551,033	2,537,952	2,401,029	2,163,217	1,859,485	1,647,583
Public safety	2,031,359	2,034,175	2,101,314	2,095,994	2,078,085	2,198,490	2,119,696	2,134,038	2,100,098	1,852,861
Transportation	3,706,904	3,610,810	3,504,411	3,146,053	3,155,703	3,176,910	3,460,865	3,202,687	3,054,406	2,913,259
Judicial	733,794	699,116	662,086	642,559	649,324	681,717	654,605	682,324	633,844	541,713
Labor, licensing and regulation	312,850	325,179	333,701	319,757	279,632	277,887	253,977	204,027	186,470	168,022
Natural resources and recreation	255,076	275,936	213,004	185,627	207,840	205,921	187,525	219,060	179,682	166,751
Housing and community										
Development	283,046	266,523	294,408	295,611	347,008	373,548	319,721	248,334	247,515	229,008
Environment	111,686	109,349	102,712	104,685	108,213	126,054	121,957	123,854	108,273	92,977
Agriculture	94,561	89,464	97,770	97,234	46,645	90,502	57,275	94,930	82,163	59,294
Commerce	83,664	100,264	105,177	71,517	78,406	83,519	78,701	94,584	97,991	66,405
Intergovernmental grants	662,629	600,362	541,034	507,660	614,685	611,595	635,467	624,475	742,398	738,973
Interest	502,553	475,805	515,633	485,565	498,757	428,135	405,163	390,169	351,952	332,599
Total governmental activities expenses	34,595,952	33,955,678	32,979,215	31,110,854	31,045,539	31,067,223	29,909,914	28,467,897	26,793,866	24,691,358
Business-type activities:										
Economic development-insurance programs	3,372	2,838	4,534	12,565	4,689	12,693	4,247	8,881	4,759	1,545
Economic development-general loan programs	15,062	16,817	32,176	20,344	20,106	18,905	13,501	30,586	21,547	181,394
Economic development-water quality loan programs	221,101	251,636	174,566	209,263	142,280	153,331	99,911	43,245	42,409	8,465
Economic development-housing loan programs	175,706	179,393	202,818	207,423	204,117	193,258	201,077	210,603	189,906	58,816
Unemployment insurance program	571,259	680,420	925,005	1,246,507	1,585,495	1,629,721	2,004,334	1,330,465	544,109	445,877
Maryland Lottery and Gaming Control Agency	1,993,732	1,845,837	1,701,020	1,525,381	1,331,899	1,254,095	1,205,310	1,207,171	1,133,587	1,094,065
Maryland Transportation Authority	538,560	489,859	469,606	451,944	412,509	355,467	327,360	308,383	325,721	368,170
Maryland Correctional Enterprises	58,190	52,627	50,767	51,464	50,754	49,501	49,965	52,664	46,906	46,238
Total business-type activities expenses	3,576,982	3,519,427	3,560,492	3,724,891	3,751,849	3,666,971	3,905,705	3,191,998	2,308,944	2,204,570
Total primary government expenses	\$ 38,172,934	\$ 37,475,105	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810	\$ 26,895,928

STATE OF MARYLAND
Revenues. Primary Government
Last Ten Fiscal Years
(accrual based accounting)
(Expressed in Thousands)

Source	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Program revenues:										
Charges for services:										
General government	\$ 817,528	\$ 657,548	\$ 577,929	\$ 724,997	\$ 500,747	\$ 455,729	\$ 490,230	\$ 616,176	\$ 359,589	\$ 424,639
Health and mental hygiene	1,156,098	1,223,465	1,445,746	1,368,278	1,332,658	1,205,122	948,124	564,677	458,706	417,753
Transportation	618,334	652,820	582,332	679,378	541,961	540,859	527,330	508,629	611,002	643,447
Judicial	278,514	277,001	313,598	349,347	434,276	283,781	246,027	252,847	260,145	403,697
Other activities	467,989	391,082	418,981	454,900	462,765	460,733	608,284	462,761	377,905	327,765
Operating grants and contributions	10,342,983	10,263,139	9,056,184	8,233,915	8,199,616	9,341,179	8,659,808	7,079,697	5,924,816	5,725,441
Capital grants and contributions	740,968	774,605	826,498	845,162	884,128	715,153	727,903	692,237	676,988	726,823
Total program revenues	14,422,414	14,239,660	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565
General revenues:										
Taxes:										
Income Taxes	9,797,055	9,445,934	8,803,951	8,657,390	7,868,089	7,605,497	7,003,514	7,167,890	7,885,639	7,333,979
Sales and use taxes	4,506,092	4,412,308	4,199,862	4,115,724	4,078,000	3,898,509	3,760,756	3,857,020	3,748,724	3,448,766
Motor vehicle taxes	2,554,740	2,383,505	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525
Tobacco taxes	395,266	391,452	402,403	415,922	411,427	407,570	405,915	405,559	376,112	277,755
Insurance company taxes	491,226	505,991	475,294	429,410	428,023	392,287	382,569	369,479	469,144	390,026
Property taxes	1,053,103	1,002,787	972,947	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513
Estate & inheritance taxes	288,833	266,809	238,276	258,978	221,206	241,576	196,002	229,723	261,987	242,208
Other taxes	311,694	306,505	313,474	293,031	296,068	302,421	294,752	293,391	311,048	309,883
Unrestricted investment earnings	197,411	186,926	212,533	(4,794)	155,587	79,042	167,581	202,682	345,578	350,249
Transfers	989,420	950,831	883,656	779,026	593,478	526,948	614,794	461,194	477,936	349,556
Total general revenues, special items and transfers	20,584,840	19,853,048	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460
Total revenues and transfers - governmental activities	35,007,254	34,092,708	31,920,469	30,663,295	29,390,621	29,413,919	27,840,126	25,919,998	25,492,371	24,378,025
Business-type activities:										
Program revenues:										
Charges for services:										
Unemployment insurance program	627,998	679,346	658,998	899,368	1,136,677	1,031,602	953,711	475,032	440,848	464,411
Maryland Lottery and Gaming Control Agency	3,078,920	2,877,945	2,645,960	2,444,195	2,022,445	1,828,489	1,711,285	1,699,156	1,673,038	1,577,311
Maryland Transportation Authority	836,079	827,759	804,642	617,334	532,042	553,786	588,427	391,558	425,504	371,468
Other activities	351,511	337,580	355,935	337,214	307,914	327,854	359,204	366,916	346,494	333,621
Operating grants and contributions	131,487	124,719	302,082	591,706	917,219	880,345	1,015,645	390,988	57,635	25,995
Capital grants and contributions					1,069					49,995
Total program revenues	5,025,995	4,847,349	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801
General revenues:										
InvestMD tax credits					84,000					
Unrestricted investment earnings	16,255	15,785	4,172	971	10,329	4,775	9,068	18,038	25,804	30,658
Transfers	(989,420)	(950,831)	(883,656)	(779,026)	(593,478)	(526,948)	(614,794)	(461,194)	(477,936)	(349,556)
Total general revenues and transfers	(973,165)	(935,046)	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)	(318,898)
Special item - Transfer of operations	(103,434)									
Total revenues, transfers and special items - business-type activities	3,949,396	3,912,303	3,888,133	4,111,762	4,418,217	4,099,903	4,022,546	2,880,494	2,491,387	2,503,903
Total primary government revenues and transfers	\$ 38,956,650	\$ 38,005,011	\$ 35,808,602	\$ 34,775,057	\$ 33,808,838	\$ 33,513,822	\$ 31,862,672	\$ 28,800,492	\$ 27,983,758	\$ 26,881,928

STATE OF MARYLAND
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund (2):										
Nonspendable	\$ 618,563	\$ 514,051	\$ 495,542	\$ 493,431	\$ 485,654	\$ 468,330	\$ 448,982			
Restricted.....	11,403	16,487	6,501	187	632	294	398			
Committed.....	1,675,674	1,519,539	1,553,584	1,488,477	1,271,765	1,163,278	1,140,676			
Unassigned	(509,187)	(766,124)	(916,302)	(622,860)	(680,949)	(292,292)	(340,964)			
Reserved								\$ 1,363,060	\$ 1,388,192	\$ 2,373,711
Unreserved (deficit)								146,862	1,497,396	885,256
Total general fund	1,796,453	1,283,953	1,139,325	1,359,235	1,077,102	1,339,610	1,249,092	1,509,922	2,885,588	3,258,967
All other governmental funds (2):										
Nonspendable	211,726	197,847	192,871	183,355	181,093	182,156	171,094			
Restricted	287,885	216,916	207,499	241,260	228,816	200,497	154,386			
Committed.....	685,348	800,158	791,084	663,718	550,287	568,396	608,854			
Unassigned (1)	(273,530)	(511,961)	(414,043)	(353,964)	(431,416)	(403,711)	(358,796)			
Reserved								574,349	519,013	523,796
Unreserved, reported in:										
Special revenue funds.....								166,567	(29,236)	162,627
Capital projects funds (1).....								(375,595)	(128,045)	(83,260)
Debt service funds								104,238	54,263	57,132
Total all other governmental funds	911,429	702,960	777,411	734,369	528,780	547,338	575,538	469,559	415,995	660,295
Total governmental funds	\$ 2,707,882	\$ 1,986,913	\$ 1,916,736	\$ 2,093,604	\$ 1,605,882	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481	\$ 3,301,583	\$ 3,919,262

- (1) The unreserved and unassigned fund balance deficit of the capital projects fund will be funded by future bond proceeds and capital appropriations of the general fund.
(2) Beginning in fiscal year 2010, fund balances were restated due to implementation of GASB Statement No. 54.

STATE OF MARYLAND
Changes in Fund Balances, Government Funds
Last Ten Fiscal Years
(modified accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Income taxes.....	\$ 9,832,668	\$ 9,418,584	\$ 8,743,986	\$ 8,652,063	\$ 7,822,259	\$ 7,639,285	\$ 6,957,811	\$ 7,156,297	\$ 7,868,899	\$ 7,325,181
Retail sales and use taxes	4,504,417	4,410,080	4,196,314	4,114,462	4,076,729	3,896,876	3,754,326	3,851,752	3,748,933	3,447,896
Motor vehicle taxes and fees.....	2,554,740	2,383,505	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525
Tobacco taxes	395,266	391,452	402,403	415,922	411,427	407,570	405,915	405,559	376,112	277,755
Insurance company taxes	491,226	505,991	475,294	429,410	428,023	392,287	382,569	369,479	469,144	390,026
Property taxes	1,053,102	1,002,786	972,947	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513
Estate & inheritance taxes.....	288,833	266,809	238,276	258,978	221,206	241,576	196,002	229,723	261,987	242,208
Other taxes	311,694	306,505	313,474	293,031	296,068	302,421	294,752	293,391	311,048	309,883
Other licenses and fees	646,622	641,478	607,785	678,648	714,891	683,289	682,756	686,806	651,079	782,712
Charges for services	2,191,464	2,132,893	2,304,305	2,403,377	2,150,332	1,878,075	1,639,917	1,259,309	1,108,666	1,050,187
Revenues pledged as security for bonds*						95,057	89,521	66,098	77,541	70,563
Interest and other investment income	57,549	66,067	110,607	(89,273)	88,068	23,052	121,233	161,696	307,403	315,121
Federal	10,999,638	11,033,156	9,897,214	9,096,720	9,104,024	9,968,631	9,386,888	7,767,558	6,604,348	6,407,172
Other	477,526	439,015	412,182	474,867	405,263	309,902	413,762	377,127	214,755	240,671
Total revenues.....	33,804,745	32,998,322	30,871,592	29,790,838	28,700,882	28,795,534	27,131,989	25,380,831	24,946,967	23,865,413
Expenditures:										
Current:										
General government.....	887,127	860,009	836,341	884,048	836,112	775,370	762,488	757,186	729,788	716,958
Education.....	10,231,349	10,079,813	9,636,845	9,305,918	9,298,976	9,474,145	9,104,692	8,948,062	8,638,203	7,683,885
Commerce	83,389	100,030	103,253	69,425	75,835	79,284	74,578	90,892	94,503	65,774
Labor, licensing and regulation.....	315,758	322,158	319,814	304,289	261,615	246,700	226,118	182,751	166,848	164,255
Human resources	2,501,100	2,543,937	2,542,075	2,557,386	2,488,200	2,420,789	2,291,347	2,061,959	1,761,284	1,643,078
Health and mental hygiene	12,206,406	12,007,975	11,160,187	9,949,816	9,772,861	9,441,903	9,040,549	8,286,032	7,536,747	7,252,117
Environment.....	108,548	107,103	96,901	87,728	96,116	107,457	110,092	106,307	95,918	92,460
Transportation	1,737,964	1,719,153	1,793,001	1,468,019	1,472,418	1,228,659	1,422,084	1,333,618	1,262,973	1,219,507
Public safety	1,983,864	1,972,570	1,888,200	1,879,264	1,875,795	1,873,921	1,773,141	1,824,595	1,835,652	1,790,595
Judicial.....	715,230	689,975	638,115	594,522	590,082	577,333	556,908	585,778	556,056	527,618
Housing and community development	282,414	266,912	292,494	293,743	344,408	368,857	315,630	244,208	244,581	228,105
Natural resources and recreation.....	236,959	232,514	186,486	171,206	179,682	182,229	184,342	205,876	188,675	177,553
Agriculture	69,105	75,226	87,110	80,353	79,294	80,770	92,954	142,804	147,494	101,252
Intergovernmental	1,352,665	1,344,034	1,190,477	1,156,328	1,265,314	1,249,592	1,187,153	1,425,506	1,597,734	1,590,590

Debt service:										
Principal	926,719	810,783	744,599	673,639	645,024	598,265	560,348	536,050	497,300	473,985
Interest	468,169	440,063	434,811	414,089	399,710	390,340	366,237	349,214	315,010	298,007
Capital outlay	2,115,363	1,910,348	1,598,458	1,614,972	1,274,591	1,276,049	1,200,176	1,430,170	1,476,506	1,437,741
Total expenditures	36,222,129	35,482,602	33,549,167	31,504,745	30,956,033	30,371,663	29,268,837	28,511,008	27,145,272	25,463,480
Excess (deficiency) of revenues over expenditures	(2,417,384)	(2,484,280)	(2,677,575)	(1,713,907)	(2,255,151)	(1,576,129)	(2,136,848)	(3,130,177)	(2,198,305)	(1,598,067)
Other financing sources (uses):										
Capital leases	43,127	9,409	170,236	32,311	23,440	53,334	15,472	27,945	31,185	56,860
Proceeds from bond issues	2,105,806	1,662,385	1,445,884	1,389,203	1,375,297	1,058,166	1,477,837	1,318,718	1,071,403	831,193
Other long-term liabilities									102	2,411
Proceeds from refunding bonds		1,478,889	279,273	424,111	656,851		798,080	69,431		
Payments to escrow agents		(1,547,056)	(278,876)	(423,021)	(674,982)		(924,185)	(69,213)		
Transfers in	1,993,776	1,766,489	1,659,660	1,331,669	1,552,089	1,716,673	1,895,049	1,203,021	1,180,435	1,137,421
Transfers out	(1,004,356)	(815,658)	(775,470)	(552,643)	(958,611)	(1,189,726)	(1,280,256)	(741,827)	(702,499)	(787,865)
Net other sources (uses) of financial										
Resources	3,138,353	2,554,458	2,500,707	2,201,630	1,974,084	1,638,447	1,981,997	1,808,075	1,580,626	1,240,020
Net changes in fund balance	720,970	70,178	(176,868)	487,722	(281,067)	62,318	(154,851)	(1,322,102)	(617,679)	(358,047)
Fund balance, beginning of the year	1,986,912	1,916,736	2,093,604	1,605,882	1,886,948	1,824,630	1,979,481	3,301,583	3,919,262	4,277,309
Fund balance, end of the year	\$ 2,707,882	\$ 1,986,913	\$ 1,916,736	\$ 2,093,604	\$ 1,605,881	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481	\$ 3,301,583	\$ 3,919,262
Debt service as a percentage of noncapital expenditures	4.1%	3.7%	3.7%	3.6%	3.6%	3.5%	3.4%	3.4%	3.3%	3.3%

* Beginning in fiscal year 2012, revenues pledged as security for bonds were reclassified to charges for services.

STATE OF MARYLAND
Personal Income Tax Filers by Subdivision
Tax Year Ended December 31, 2015

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax(1)	Local Income Tax	State and Local Income Tax	Local Tax Rate
Allegany.....	21,868	\$ 1,188,657,628	\$ 927,880,341	\$ 41,736,214	\$ 27,397,190	\$ 69,133,404	3.05 %
Anne Arundel.....	219,197	21,067,307,602	17,332,326,744	813,067,458	435,867,884	1,248,935,342	2.56
Baltimore County.....	327,479	27,678,508,623	22,384,299,538	1,055,881,671	621,050,450	1,676,932,121	2.83
Calvert.....	193,296	11,826,969,885	2,509,186,114	117,371,368	69,460,440	186,831,808	2.80
Caroline.....	34,719	3,129,486,106	478,064,252	20,158,635	12,509,687	32,668,322	2.73
Carroll.....	11,278	633,489,701	4,725,310,527	222,452,948	141,823,853	364,276,801	3.03
Cecil.....	66,768	5,828,094,063	1,981,521,700	71,150,204	53,014,496	124,164,700	2.80
Charles.....	35,750	2,497,233,735	3,584,462,427	164,898,803	106,956,734	271,855,537	3.03
Dorchester.....	59,465	4,678,567,627	461,853,444	20,182,254	11,570,270	31,752,524	2.62
Frederick.....	11,170	605,388,504	6,729,824,746	314,945,411	196,919,541	511,864,952	2.96
Garrett.....	96,602	8,344,235,598	457,427,916	20,185,713	11,751,351	31,937,064	2.65
Harford.....	10,096	585,020,061	6,482,318,288	300,391,424	195,676,077	496,067,501	3.06
Howard.....	97,235	8,043,347,925	12,279,074,554	587,594,674	388,487,608	976,082,282	3.20
Kent.....	121,124	14,600,465,472	435,021,222	18,973,447	12,050,581	31,024,028	2.85
Montgomery.....	7,071	546,208,399	42,311,573,366	1,982,448,715	1,319,006,867	3,301,455,582	3.20
Prince George's.....	414,395	50,116,129,872	16,226,319,499	735,962,783	505,816,889	1,241,779,672	3.20
Queen Anne's.....	354,473	22,443,602,334	1,364,875,459	62,981,824	42,996,371	105,978,195	3.20
St. Mary's.....	18,563	1,695,226,203	2,705,578,955	125,998,825	80,151,762	206,150,587	3.00
Somerset.....	40,195	3,349,897,026	221,141,922	9,549,988	6,580,889	16,130,877	3.15
Talbot.....	6,005	299,082,859	1,169,805,337	54,581,324	27,153,206	81,734,530	2.40
Washington.....	14,528	1,481,708,151	2,651,705,738	121,044,225	72,420,703	193,464,928	2.80
Wicomico.....	53,056	3,375,333,403	1,549,193,889	66,503,885	47,529,095	114,032,980	3.20
Worcester.....	33,371	1,990,924,304	1,249,149,607	56,496,462	15,064,794	71,561,256	1.25
Baltimore City.....	20,882	1,545,094,426	9,285,343,745	421,719,063	284,929,054	706,648,117	3.20
Non-resident.....	124,225	6,645,624,845	5,825,192,366	379,895,361	-	379,895,361	
	2,392,811	\$ 204,195,604,352	\$ 165,328,451,696	\$ 7,786,172,679	\$ 4,686,185,792	\$ 12,472,358,471	

(1) See State personal income tax rates schedules for tax rate information.

Source: Revenue Administration Division, State Comptroller's Office

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

State Personal Income Tax and Sales Tax Rates Calendar Year 2012-2016*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,001 - \$100,000	4.75%	\$3,001 - \$150,000	4.75%
\$100,001 - \$125,000	5.00%	\$150,001 - \$175,000	5.00%
\$125,001 - \$150,000	5.25%	\$175,001 - \$225,000	5.25%
\$150,001 - \$250,000	5.50%	\$225,001 - \$300,000	5.50%
Over \$250,000	5.75%	Over \$300,000	5.75%

Sales Tax Rate: 6%

*Rates effective January 1, 2012

State Personal Income Tax and Sales Tax Rates Calendar Years 2008-2011*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,000 - \$150,000	4.75%	\$3,000 - \$200,000	4.75%
\$150,001 - \$300,000	5.00%	\$200,001 - \$350,000	5.00%
\$300,001 - \$500,000	5.25%	\$350,001 - \$500,000	5.25%
\$500,001 - \$1,000,000	5.50%	\$500,001 - \$1,000,000	5.50%
Over \$1,000,000	6.25%**	Over \$1,000,000	6.25%**

Sales Tax Rate: 6%

*Rates effective January 1, 2008

**Rates for calendar year 2011 were 5.50%

State Personal Income Tax and Sales Tax Rates Calendar Year 2007

Personal Income Tax Rate

Year	1 st \$1,000 of Net Taxable Income	2 nd \$1,000 of Net Taxable Income	3 rd \$1,000 of Net Taxable Income	In excess \$3,000 of Net Taxable Income	Sales Tax Rate
2007	2%	3%	4%	4.75%	5%

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st
(Dollars, except income level, Expressed in Thousands)

2015				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	25,747	1.08 %	\$ 1,533,581	19.70 %
\$100,000-\$499,999	552,401	23.09	3,858,612	49.56
\$70,000-\$99,999	317,167	13.25	940,026	12.07
\$50,000-\$69,999	320,708	13.40	640,008	8.22
\$25,000-\$49,999	623,249	26.05	634,477	8.15
\$10,000-\$24,999	453,975	18.97	166,838	2.14
Under \$10,000	99,564	4.16	12,631	0.16
Total	2,392,811	100.00 %	\$ 7,786,173	100.00 %

2013				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	21,935	0.92 %	\$ 1,266,568	16.28 %
\$100,000-\$499,999	503,837	21.06	3,434,142	44.11
\$70,000-\$99,999	309,903	12.95	905,699	11.63
\$50,000-\$69,999	312,548	13.06	615,553	7.91
\$25,000-\$49,999	621,710	25.98	618,113	7.94
\$10,000-\$24,999	477,663	19.96	162,722	2.09
Under \$10,000	99,685	4.17	12,100	0.16
Total	2,347,281	98.10 %	\$ 7,014,897	90.09 %

2011				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	20,027	0.90 %	\$ 1,074,619	17.05 %
\$100,000-\$499,999	475,139	21.15	3,020,394	47.91
\$70,000-\$99,999	301,920	13.44	854,629	13.56
\$50,000-\$69,999	309,545	13.78	591,156	9.38
\$25,000-\$49,999	609,707	27.15	599,435	9.51
\$10,000-\$24,999	461,729	20.57	152,585	2.42
Under \$10,000	68,009	3.03	11,115	0.18
Total	2,246,076	100.00 %	\$ 6,303,933	100.00 %

2014				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	24,432	1.03 %	\$ 1,487,042	19.88 %
\$100,000-\$499,999	527,543	22.14	3,648,239	48.76
\$70,000-\$99,999	312,138	13.10	919,952	12.30
\$50,000-\$69,999	315,473	13.24	626,493	8.37
\$25,000-\$49,999	623,459	26.16	623,584	8.33
\$10,000-\$24,999	476,740	20.01	163,914	2.19
Under \$10,000	103,143	4.33	12,749	0.17
Total	2,382,928	100.00 %	\$ 7,481,973	100.00 %

2012				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	24,255	1.05 %	\$ 1,533,202	21.59 %
\$100,000-\$499,999	493,577	21.44	3,281,446	46.21
\$70,000-\$99,999	307,641	13.36	884,705	12.46
\$50,000-\$69,999	311,773	13.54	605,169	8.52
\$25,000-\$49,999	615,541	26.74	608,132	8.56
\$10,000-\$24,999	470,011	20.43	175,568	2.47
Under \$10,000	79,274	3.44	13,671	0.19
Total	2,302,072	100.00 %	\$ 7,101,893	100.00 %

2010				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	19,031	0.87 %	\$ 1,103,398	18.00 %
\$100,000-\$499,999	460,144	20.77	2,872,843	46.86
\$70,000-\$99,999	297,568	13.43	829,513	13.53
\$50,000-\$69,999	306,283	13.82	577,222	9.42
\$25,000-\$49,999	605,480	27.33	590,450	9.63
\$10,000-\$24,999	454,672	20.53	149,735	2.44
Under \$10,000	72,525	3.27	7,087	0.12
Total	2,215,703	100.00 %	\$ 6,130,248	100.00 %

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)

(continued)

2009				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	16,589	0.77 %	\$ 901,111	15.76 %
\$100,000-\$499,999	440,514	20.33	2,700,374	47.24
\$70,000-\$99,999	294,317	13.58	810,590	14.18
\$50,000-\$69,999	305,438	14.09	567,707	9.93
\$25,000-\$49,999	601,213	27.74	585,150	10.24
\$10,000-\$24,999	440,498	20.33	144,875	2.53
Under \$10,000	68,464	3.16	6,709	0.12
Total	2,167,033	100.00 %	\$ 5,716,516	100.00 %

2007				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	22,546	0.98 %	\$ 1,343,286	21.49 %
\$100,000-\$499,999	422,874	18.43	2,619,517	41.92
\$75,000-\$99,999	299,022	13.04	839,000	13.43
\$50,000-\$74,999	310,886	13.55	591,121	9.46
\$25,000-\$49,999	636,783	27.76	669,599	10.71
\$10,000-\$24,999	482,515	21.03	174,561	2.79
Under \$10,000	119,277	5.20	12,218	0.20
Total	2,293,903	100.00 %	\$ 6,249,302	100.00 %

2008				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	18,490	0.84 %	\$ 1,203,268	19.89 %
\$100,000-\$499,999	436,125	19.76	2,680,009	44.29
\$75,000-\$99,999	299,054	13.55	817,229	13.51
\$50,000-\$74,999	309,460	14.02	569,793	9.42
\$25,000-\$49,999	619,265	28.05	619,216	10.23
\$10,000-\$24,999	445,300	20.17	152,357	2.52
Under \$10,000	79,781	3.61	8,570	0.14
Total	2,207,475	100.00 %	\$ 6,050,442	100.00 %

2006				
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	20,188	0.89 %	\$ 1,187,583	20.42 %
\$100,000-\$499,999	386,236	17.07	2,379,534	40.91
\$75,000-\$99,999	290,471	12.83	818,732	14.08
\$50,000-\$74,999	303,484	13.41	577,995	9.94
\$25,000-\$49,999	637,570	28.17	666,375	11.46
\$10,000-\$24,999	501,656	22.16	172,923	2.97
Under \$10,000	123,697	5.47	13,275	0.23
Total	2,263,302	100.00 %	\$ 5,816,417	100.00 %

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND
Sales and Use Tax Receipts by Principal Type of Business
Last Ten Fiscal Years
(Expressed in Thousands)

Year	Food and Beverage*	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2016.....	\$ 1,134,386	\$ 214,016	\$ 861,937	\$ 295,298	\$ 295,776	\$ 589,726	\$ 350,722	\$ 111,102	\$ 683,872	\$ 11,718	\$ 4,548,553
2015.....	1,090,515	208,036	811,774	284,110	299,874	563,869	378,578	110,016	652,615	10,508	4,409,895
2014.....	1,034,463	199,133	751,972	274,024	295,710	530,891	383,069	103,416	614,776	8,542	4,195,996
2013.....	1,011,944	197,086	754,822	266,675	315,902	501,287	354,509	98,914	605,375	7,783	4,114,297
2012.....	1,013,589	193,049	736,119	268,506	330,226	485,588	349,284	100,832	582,760	16,627	4,076,580
2011.....	891,267	187,014	716,226	259,052	343,897	467,156	367,543	94,654	559,420	10,470	3,896,699
2010.....	864,941	189,057	705,121	239,813	347,243	445,706	370,435	92,241	484,910	14,310	3,753,777
2009.....	851,038	188,931	705,193	252,973	362,374	483,384	404,219	97,355	489,672	16,153	3,851,292
2008.....	776,466	181,302	672,024	249,506	387,590	517,452	356,747	100,922	481,478	25,435	3,748,922
2007.....	689,279	167,918	612,937	234,898	380,999	504,516	316,600	91,628	432,831	16,233	3,447,839

Source: Revenue Administration Division, Comptroller's Office

*The 2011 Session of the Maryland General Assembly approved legislation increasing the sales tax on alcoholic beverages from 6% to 9% effective fiscal year 2012.

STATE OF MARYLAND
Schedule of Ratio of Outstanding Debt by Type
Last Ten Years

(Dollars Expressed in Thousands except Per Capita)

Fiscal Year	General Bonded Debt		Other Governmental Activities Debt			Total Governmental Activities Debt	Debt Ratios, Governmental Activities		Business-Type Activities Debt		Total Business-Type Activities Debt	Total Primary Government Debt	Debt Ratios, Primary Government	
	General Obligation Bonds	Transportation Bonds	Capital Leases	Transportation Debt/Other Liabilities(2)	Capital Leases with Component Units		Percentage of Personal Income(1)	Per Capita (1)	Revenue Bonds	Capital Leases			Percentage of Personal Income(1)	Per Capita(1)
2016	\$ 9,465,285	\$ 2,146,085	\$ 907,425		\$ 121,543	\$ 12,640,338	3.75 %	\$2,104	\$ 5,630,773	\$ 48,285	\$ 5,679,058	\$ 18,319,396	5.43 %	\$3,050
2015	8,677,214	2,020,250	929,679		140,559	11,767,702	3.57	1,969	5,721,363	60,715	5,782,078	17,549,780	5.33	2,937
2014	8,362,347	1,812,670	915,393		163,574	11,253,984	3.50	1,898	5,939,721	17,480	5,957,201	17,211,185	5.35	2,903
2013	8,005,802	1,618,290	766,393		186,706	10,577,191	3.34	1,797	6,220,872	31,024	6,251,896	16,829,087	5.31	2,860
2012	7,541,102	1,562,630	755,653		210,676	10,070,061	3.41	1,728	6,377,228	56,212	6,433,440	16,503,501	5.59	2,832
2011	6,982,846	1,561,840	755,778		214,590	9,515,054	3.35	1,645	6,504,780	44,886	6,549,666	16,064,720	5.66	2,776
2010	6,523,222	1,645,010	798,201		232,762	9,199,195	3.31	1,614	6,161,633	5,261	6,166,894	15,366,089	5.53	2,696
2009	5,873,643	1,582,605	848,208		250,407	8,554,863	3.14	1,519	5,422,501	5,748	5,428,249	13,983,112	5.13	2,482
2008	5,493,830	1,268,815	515,134	\$ 373,319	265,767	7,916,865	3.02	1,409	5,041,339	648	5,041,987	12,958,852	4.94	2,307
2007	5,142,154	1,111,050	535,482	391,029	278,265	7,457,980	3.03	1,331	4,140,383	1,124	4,141,507	11,599,487	4.70	2,071

Source: General Accounting Division, State Comptroller's Office

(1) Population and personal income data can be found in the Schedule of Demographics Statistics.

(2) Transportation debt/other liabilities was reclassified as capital leases beginning in fiscal year 2009.

STATE OF MARYLAND
Ratio of General Bonded Debt
To Actual Value and General Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	<i>(Expressed in Thousands)</i>			Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
	Estimated Population (1)	Estimated Property Value	General Bonded Debt (2)		
2016	6,007	\$ 693,056,335	\$ 9,465,285	1.37 %	\$ 1,576
2015	5,976	664,447,412	8,677,214	1.31	1,452
2014	5,929	647,265,360	8,362,347	1.29	1,410
2013	5,885	641,751,347	8,005,802	1.25	1,360
2012	5,828	653,376,073	7,541,102	1.15	1,294
2011	5,786	689,329,692	6,982,846	1.01	1,207
2010	5,699	731,809,178	6,523,222	0.89	1,145
2009	5,634	707,573,095	5,873,643	0.83	1,043
2008	5,618	633,453,169	5,493,830	0.87	978
2007	5,602	527,012,375	5,142,154	0.98	918

Source: The Sixty-Third through Seventy-Second Report of the State Department of Assessments and Taxation and the State Comptroller's Office

(1) See Schedule of Demographic Statistics.

(2) Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.

STATE OF MARYLAND
Legal Debt Margin Information
Last Ten Fiscal Years
(Expressed in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2016

Debt Limit (1).....	\$ 15,021,257
Debt applicable to limit:.....	
General obligation bonds.....	9,465,285
Transportation bonds.....	2,146,085
Nontraditional Transportation debt (2)...	702,309
Less amounts set aside for replacement of:	
General obligation debt.....	275,506
Transportation debt.....	46,883
Total net debt applicable to limit.....	<u>11,991,290</u>
Legal debt margin.....	<u>\$ 3,029,967</u>

	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt limit	\$ 15,021,257	\$ 14,493,789	\$ 13,918,130	\$ 13,169,535	\$ 12,388,337	\$ 11,790,027	\$ 11,410,017	\$ 9,822,844	\$ 9,780,943	\$ 9,064,691
Total net debt applicable to limit.....	<u>11,991,290</u>	<u>11,159,389</u>	<u>10,615,974</u>	<u>10,033,126</u>	<u>9,438,132</u>	<u>8,948,851</u>	<u>8,658,167</u>	<u>8,015,376</u>	<u>7,400,792</u>	<u>6,924,327</u>
Legal debt margin.....	<u>\$ 3,029,967</u>	<u>\$ 3,334,400</u>	<u>\$ 3,302,156</u>	<u>\$ 3,136,409</u>	<u>\$ 2,950,205</u>	<u>\$ 2,841,176</u>	<u>\$ 2,751,850</u>	<u>\$ 1,807,468</u>	<u>\$ 2,380,151</u>	<u>\$ 2,140,364</u>
Total net debt applicable to limit as a percentage of debt limit.....	79.83%	76.99%	76.27%	76.18%	76.19%	75.90%	75.88%	81.60%	75.67%	76.39%

Source: General Accounting Division, State Comptroller's Office

- (1) For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session. There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed \$2,000,000 up to June 30, 2007, \$2,600,000 through June 30, 2009, and \$4,500,000 thereafter.
- (2) The 2015 session of the General Assembly established a maximum outstanding principal amount of \$685,400,000 as of June 30, 2016, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

**Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as
Defined for Purposes of Consolidated Transportation Bonds Coverage Tests
Last Ten Fiscal Years**

(Expressed in Thousands)

	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Taxes and fees:										
Taxes pledged to bonds (2)(3)(5)(6).....	\$ 1,924,937	\$ 1,749,800	\$ 1,590,767	\$ 1,382,135	\$ 1,277,770	\$ 1,300,022	\$ 1,244,280	\$ 1,234,750	\$ 1,139,321	\$ 1,196,568
Other taxes and fees (4)	611,259	603,700	586,514	572,894	475,561	439,657	415,409	418,734	404,082	410,614
Total taxes and fees	2,536,196	2,353,500	2,177,281	1,955,029	1,753,331	1,739,679	1,659,689	1,653,484	1,543,403	1,607,182
Operating Revenues	436,571	414,290	409,952	407,187	402,056	390,547	388,587	392,772	395,003	369,241
Investment income.....	59,609	47,307	29,139	30,785	40,015	60,458	394	3,996	3,683	10,574
Other (1).....	3,819	2,090	2,154	758	2,750	1,004	(3,600)	(3,666)	4	39,836
Total revenues	3,036,195	2,817,187	2,618,526	2,393,759	2,198,152	2,191,688	2,045,070	2,046,586	1,942,093	2,026,833
Administration, operation and maintenance expenditures	1,917,471	1,859,524	1,842,785	1,638,407	1,572,181	1,547,339	1,582,578	1,526,965	1,488,310	1,396,872
Less: Federal funds.....	(87,325)	(89,843)	(90,567)	(72,397)	(92,737)	(90,733)	(90,761)	(93,729)	(79,228)	(72,598)
Total	1,830,146	1,769,681	1,752,218	1,566,010	1,479,444	1,456,606	1,491,817	1,433,236	1,409,082	1,324,274
Net revenues.....	\$ 1,206,049	\$ 1,047,506	\$ 866,308	\$ 827,749	\$ 718,708	\$ 735,082	\$ 553,253	\$ 613,350	\$ 533,011	\$ 702,559
Maximum annual principal and interest requirements	\$ 305,197	\$ 292,327	\$ 270,527	\$ 237,394	\$ 219,765	\$ 210,714	\$ 210,714	\$ 197,281	\$ 153,661	\$ 129,550
Ratio of net revenues to maximum annual principal and interest requirements.....	3.95	3.58	3.20	3.49	3.27	3.49	2.63	3.11	3.47	5.42
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements	6.31	5.99	5.88	5.82	5.81	6.17	5.91	6.26	7.41	9.24

Source: The Maryland Department of Transportation, The Secretary's Office, Office of Finance.

- (1) 2007 was the last year for the transfer of \$43,000,000 from Maryland Transportation Authority to the Transportation Trust Fund.
- (2) The State's sales tax and the Vehicle Excise Tax (Titling tax) was increased from 5% to 6%, effective January 1, 2008. In addition, effective July 1, 2008, the percentage of titling tax retained by the Department was increased incrementally to fiscal year 2014 from 76% to 93.6%
- (3) The Department was allocated 6.5% of the State's sales tax effective July 1, 2008. The distribution was reduced to 5.3% in fiscal years 2010 and 2011 and ended July 1, 2011.
- (4) The Transportation Trust Fund transferred of \$40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.
- (5) The allocation of the corporate income tax to the Department was changed from 24% to 17.2% in fiscal year 2012, 9.5% in fiscal year 2013, and 19.5% through fiscal year 2016.
- (6) The motor fuel tax rate was increased based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel beginning in fiscal year 2014.

STATE OF MARYLAND
Ratio of Pledged Assets to
Revenue Bonds, Community Development Administration
Last Ten Fiscal Years
(Expressed in Thousands)

		Pledged Assets (1)	Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2016	\$	2,721,570	\$ 2,158,680	1.26
2015		2,847,756	2,307,890	1.23
2014		3,015,137	2,507,082	1.20
2013		3,311,864	2,766,326	1.20
2012		3,542,214	2,926,149	1.21
2011		3,627,287	3,047,472	1.19
2010		3,717,989	3,136,883	1.19
2009		3,517,631	2,983,490	1.18
2008		3,489,271	2,971,219	1.17
2007		3,497,373	3,016,848	1.16

(1) Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

STATE OF MARYLAND
Schedule of Demographic Statistics
Last Ten Years

	Population (1)	Total Personal Income (2) (Expressed in Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2016	6,007,289	\$ 337,174,077	\$ 56,127	1,010,035	4.3 %
2015	5,976,407	329,559,646	55,143	1,001,193	5.2
2014	5,928,814	321,688,894	53,816	994,380	6.0
2013	5,884,563	316,681,620	53,816	992,828	6.8
2012	5,828,289	295,235,516	50,656	961,486	6.8
2011	5,785,982	283,919,505	49,070	993,996	7.2
2010	5,699,478	278,026,000	48,378	984,134	7.4
2009	5,633,597	272,542,169	48,378	975,861	5.9
2008	5,618,899	264,367,477	47,050	1,024,803	3.7
2007	5,602,258	252,780,827	45,121	1,036,523	3.9

Sources:

- (1) U.S. Census Bureau, "Annual Estimates of the Resident Population: April 1, 2010 - July 1, 2014," revised December, 2014. Estimates for the calendar year, except that the current year amount is a projected estimate for the year.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on March 24, 2016. All estimates of state personal income are subject to BEA's flexible annual revision schedule.
- (3) Figures are as of September 30 of the prior calendar year from State Department of Education, grades pre-kindergarten through grade 12. Includes public and nonpublic schools. Data for nonpublic schools is incomplete.
- (4) Figures are for the fiscal year from State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND
Schedule of Employment by Sector
Prior Year and Nine Years Prior

	Calendar Year 2015 (1)			Calendar Year 2006 (2)		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:						
State and local.....	341,557	\$ 18,805,928	\$ 1,059	330,314	\$ 14,723,321	\$ 857
Federal.....	144,128	13,971,805	1,864	125,178	9,652,443	1,483
Total government	485,685	32,777,733	1,298	455,492	24,375,764	1,029
Manufacturing	103,896	7,620,016	1,410	136,334	7,692,777	1,085
Natural resources and mining.....	6,473	255,396	759	6,836	235,000	661
Construction	154,047	9,264,400	1,157	188,420	9,076,290	926
Trade, transportation, and utilities.....	458,015	20,251,767	850	470,271	17,509,056	716
Information services	38,449	3,228,698	1,615	50,726	3,212,610	1,218
Financial activities.....	138,896	12,002,484	1,662	157,729	10,523,325	1,283
Professional and business services.....	430,326	31,859,127	1,424	394,518	22,563,934	1,100
Education and health services.....	417,845	21,624,706	995	349,136	14,659,573	807
Leisure and hospitality	267,202	5,767,295	415	229,694	4,086,481	342
Unclassified and other services.....	90,025	3,527,218	753	90,973	2,801,067	592
Total of all sectors	2,590,859	\$ 148,178,840	\$ 1,100	2,530,129	\$ 116,735,877	\$ 887

Sources:

- (1) Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publications "Employment and Payroll 2015 Annual Averages" issued June, 2016. This report reflects the new North American Industry Classification System (NAICS) coding revisions.
- (2) DLLR Website – <http://dllr.maryland.gov/lmi/emppay/md2006ep.shtml>.

STATE OF MARYLAND
Maryland's Ten Largest Private Employers (1)

Calendar Years		
Employer (Listed Alphabetically)		
2016 (2)	2015 (2)	2014, 2013, 2012 and 2011
Applied Physics Laboratory	BAE Systems Inc.	Giant Food LLC
Byk Gardner	Exelon Corporation	Helix Health Systems Inc.
Johns Hopkins University	Giant Food LLC	Home Depot Inc..
Liberty Tax Service	H & R Block Inc.	Johns Hopkins Hospital
Northrop Grumman Electro Systems	Johns Hopkins University	Johns Hopkins University
Stephen James Associates	Lockheed Martin Corporation	Northrop Grumman Corporation
Sylvan Learning Center	McDonald's Corporation	Safeway Inc.
University of Maryland Medical Center	Northrop Grumman Corporation	Target
Vitamin Shoppe	Safeway Inc.	University of Maryland Medical System
Werner Enterprises Inc.	Walmart	Walmart
2010 and 2009	2008	2007
Adventist Healthcare	Giant Food LLC	Giant Food LLC
Giant Food LLC	Helix Health System Inc.	Helix Health System Inc.
Helix Health System Inc.	Home Depot Inc.	Home Depot Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Northrop Grumman Corporation	Northrop Grumman Corporation	Macy's
Safeway Inc.	Safeway Inc.	Northrop Grumman Corporation
Target	University of Maryland Medical System	Safeway
University of Maryland Medical System	United Parcel Service	United Parcel Service
Walmart	Walmart	Walmart

Source: Department of Labor, Licensing and Regulation; Office of Labor Market

Analysis and Information – Major Employer List – March 2016

(1) Information such as the number of employees or the employers' percentage of total employment is not available for disclosure

(2) Beginning in 2015, the source for the State's largest employers is a private contractor rather than the agency's in-house system.

STATE OF MARYLAND
State Employees by Function/Program
Last Ten Fiscal Years

	Year ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
State Employees:										
Governmental activities:										
General government.....	5,841	5,464	5,922	5,396	5,487	5,479	5,695	5,813	5,770	5,712
Health and mental hygiene	10,187	9,629	10,416	9,743	9,929	9,459	10,103	10,880	11,441	11,661
Education.....	2,330	2,207	2,509	2,253	2,227	2,162	2,250	2,450	2,445	2,504
Human resources.....	6,122	6,122	6,232	6,149	6,268	6,327	6,456	6,503	6,605	6,713
Public safety.....	19,769	14,963	15,449	15,443	15,625	15,547	15,759	16,311	15,791	15,603
Transportation	6,213	6,130	6,082	6,095	6,201	6,137	6,405	6,638	6,572	6,518
Judicial.....	6,277	6,024	6,158	5,937	5,905	5,935	5,854	6,109	5,982	5,851
Labor, licensing and regulation.....	1,821	1,633	1,971	1,793	1,906	1,962	1,879	1,662	1,644	1,682
Natural resources and recreation.....	2,290	2,001	2,349	2,049	2,100	2,135	2,111	2,104	2,070	2,008
Housing and community development	199	194	210	386	385	268	274	246	209	228
Environment	904	901	915	931	927	958	1,000	960	913	926
Agriculture	439	424	472	446	436	450	482	482	511	481
Commerce.....	163	154	164	169	170	167	163	228	275	295
Total governmental activities employees	62,555	55,846	58,849	56,790	57,566	56,986	58,431	60,386	60,228	60,182
Business-type activities:										
Economic development - insurance programs.....	284	267	287	265	268	266	262	237	208	201
Maryland Lottery and Gaming Control Agency	321	298	269	248	215	200	181	189	183	185
Maryland Transportation Authority.....	1,667	1,666	1,683	1,644	1,681	1,650	1,660	1,652	1,652	1,594
Maryland Correctional Enterprises.....	171	177	190	183	194	184	200	204	201	184
Total business-type employees	2,443	2,408	2,429	2,340	2,358	2,300	2,303	2,282	2,244	2,164
Total primary government employees.....	64,998	58,254	61,278	59,130	59,924	59,286	60,734	62,668	62,472	62,346
Component Units:										
Higher Education.....	45,597	44,875	45,332	41,676	39,005	39,259	39,411	38,985	37,988	36,132
Prepaid College Trust	25	15	18	17	14	15	17	16	16	16
Stadium Authority.....	143	133	129	123	112	112	108	117	108	120
Other component units	28	27	27	27	29	29	28	24	24	27
Total component units employees	45,793	45,050	45,506	41,843	39,160	39,415	39,564	39,142	38,136	36,295

Source: Central Payroll Bureau, State Comptroller's Office

STATE OF MARYLAND
Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function
Last Ten Fiscal Years

Date of Ratification	1788									
Form of Government	Legislative - Executive - Judicial									
Land Area	9844 square miles									
Function/Program	2016(1)	2015	2014	2013	2012	2011	2010	2009	2008	2007
Education, Public School Enrollment	879,601	874,514	827,999	823,452	821,106	817,610	814,609	815,742	823,732	827,596
Health and Human Resources:										
Medicaid Enrollment	1,081,526	1,138,532	1,079,849	841,812	810,593	764,500	676,187	569,964	532,082	520,436
Children's Health Program Enrollment	136,980	122,955	114,648	111,132	103,011	98,000	97,998	105,617	108,504	105,999
WIC Food Program Recipients	140,909	140,600	140,830	144,923	146,787	155,000	148,670	144,072	132,483	121,471
Behavioral Health Clients	199,138	185,181	184,104	167,680	159,124	152,953	122,046	111,678	99,382	93,933
Public Assistance Caseload (AFDC/TANF)	56,115	61,739	64,359	67,436	72,413	67,422	67,422	58,426	51,554	50,149
Foster Care and Subsidized Adoption Average Caseload	13,410	13,477	15,090	15,386	14,230	15,297	15,093	14,235	14,839	13,806
Public Safety:										
Correctional Institutions Average Daily Population	23,093	23,951	24,237	24,686	25,450	21,159	20,891	22,778	22,943	21,680
Parole and Probation, Active Cases under Supervision	42,368	50,968	49,734	52,187	50,982	55,200	54,939	54,484	48,600	52,147
Youth Residential Programs, Average Daily Population	852	998	1,209	1,201	1,304	1,468	1,406	1,519	1,625	1,646
Average Monthly number of Youths on Probation	2,446	2,761	2,630	2,983	3,375	5,015	5,015	6,760	6,610	6,247
Public Safety (State Police):										
Number of Police Stations	23	26	26	25	25	25	25	26	26	26
Number of State Police	1,456	1,443	1,570	1,562	1,563	1,565	1,565	1,567	1,590	1,591
Motor Vehicle citations (calendar year)	355,061	363,134	370,767	384,500	336,094	348,459	381,915	390,100	446,505	430,284
Motor Vehicle - Number of Collisions (calendar year)(7)	19,907	98,400	96,200	88,700	89,285	102,000	90,517	98,352	100,700	100,707
Judicial, Total Filings	NA	1,947	1,987	2,050,561	2,056,603	2,105,728	2,155,864	2,208,268	2,363,183	2,383,668
Transportation:										
Miles of State Highway	5,274	5,271	5,273	5,264	5,266	5,254	5,244	5,240	5,242	5,241
Lane Miles Maintained	17,132	17,117	17,063	17,050	17,042	16,988	16,961	16,895	16,857	16,787
Expenditures per Lane Mile	\$ 9,199	\$ 8,430	\$ 8,261	\$ 8,655	\$ 8,618	\$ 8,171	\$ 7,572	\$ 8,913	\$ 8,764	\$ 8,990
Number of Bridges(2)	1,483	1,499	1,496	1,434	1,182	1,183	1,180	1,180	1,176	1,155
Motor Vehicle Registrations	5 million	4.9 million	4.9 million	4.8 million	4.9 million	5.0 million	4.8 million	4.6 million	4.8 million	5.0 million
BWI Airport Passengers (calendar year)	24.7 million	22.8 million	22.7 million	22.2 million	22.8 million	22.5 million	21.7 million	19.6 million	20.4 million	20.8 million
Acres Agricultural Land Preserved - all programs	614,173	609,661	587,757	574,838	572,680	563,482	554,285	534,906	482,236	482,236
Department of Housing and Community Development:										
Active Single Family/Multifamily Bond Financed Loans(4)	12,646	13,734	14,919	15,426	16,796	16,456	16,405	16,906	16,648	14,250
Department of Business and Economic Development:										
Number of businesses assisted(3)	4	7	9	9	13	17	24	50	428	1,600
Number of workers trained (3)	126	142	161	79	262	637	547	1,007	2,710	7,417
Higher Education (Universities, Colleges and Community Colleges):										
Number of Campuses in State	29	29	29	29	29	29	29	29	29	29
Number of Educators(5)	8,355	8,391	8,298	8,271	9,892	9,671	9,421	9,190	9,224	9,021
Number of Students	291,797	288,720	296,805	302,115	298,273	286,106	280,196	269,287	263,636	255,969
Number of State Scholarships Awarded(6)	35,859	40,061	43,318	45,212	40,485	65,544	52,965	58,935	58,552	56,495

Recreation:

Number of State Parks and Forests	60	60	66	66	66	65	65	64	61	58
State Parks Daily Visitors	11.3 million	11.3 million	10.3 million	11.2 million	11.8 million	10.5 million	10.1 million	10.7million	11.3 million	11.3 million
Area of State Parks, Acres	95,314	95,196	97,414	96,130	95,199	95,196	94,729	94,520	93,972	93,683
Area of State Forests, Acres	147,521	145,761	145,200	143,430	142,979	142,058	141,789	141,434	140,433	138,587

Sources: State Comptroller's Office, General Accounting Division, Central Payroll Bureau, www.mdarchives.state.md.us/msa/mdmanual, Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland.

- (1) These amounts are estimates.
- (2) Maryland's portion of the National Highway System was recently expanded beginning in 2013 due to Federal Highway Legislation.
- (3) Restructuring of training programs in 2009 has led to reduced funding for the Partnership for Workforce Quality Program (PWQ).
- (4) CDA relies completely on the reporting of two different Master Servicers on the underlying loans that comprise the Mortgage-backed securities held by CDA at fiscal year end.
- (5) Large reduction of faculty count is due to exclusion of faculty at Clinical Medicine at UMB, faculty at extension services, and continuing education faculty beginning in 2013.
- (6) Legislative scholarships are not included due to a change in awarding practices begun in FY 2012.
- (7) Crashes investigated by Maryland State Police; totals differ from those reported in prior years which included allied agencies.

Financial Schedules Required By Law

*These schedules are required to be submitted by the Comptroller by Title 2, Section 102 of the
State Finance and Procurement Article of the Annotated Code of Maryland*



STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2016
(Expressed in Thousands)

	Annual Budgeted Funds										Capital Projects Fund Actual Revenues	Total Actual Revenues												
							Higher Education Funds																	
	General Fund		Special Fund		Federal Fund		Current Unrestricted Fund		Current Restricted Fund															
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues														
Taxes:																								
Property tax	\$	115,367	\$	118,145	\$	757,648	\$	940,536					\$	1,058,681										
Franchise and corporation tax.....		145,317		137,537										137,537										
Death taxes.....		216,271		261,932										261,932										
Admission and amusement tax.....					7,176		14,344							14,344										
Alcohol beverages tax.....		31,231		31,542			86							31,628										
Motor vehicle fuel taxes.....		4,625		4,625	1,022,820		1,013,144							1,017,769										
Income taxes		9,456,914		9,392,050	304,106		257,098							9,649,148										
Sales and use taxes.....		4,544,507		4,444,481	60,000		59,760							4,504,241										
Tobacco taxes		395,418		395,266										395,266										
Motor vehicle titling taxes					805,700		860,416							860,416										
Insurance company taxes.....		301,588		320,228	204,861		232,298							552,526										
Horse racing taxes					1,459		1,173							1,173										
Shellfish taxes.....							451							451										
Boxing, wrestling or sparring taxes			360											360										
Boat titling tax					10,629		18,034							18,034										
Energy generation tax.....					59,405		48,782							48,782										
Emergency telephone system tax.....					81,605		59,387							59,387										
Total taxes		15,211,238		15,106,166	3,315,409		3,505,509							18,611,675										
Other:																								
Licenses and permits.....		47,725		45,974	709,091		632,391							678,365										
Fees for services.....		151,524		136,363	883,157		918,790							1,055,153										
Fines and costs		138,027		139,257	236,160		276,759							416,016										
Sales to the public.....		17,055		11,666	598,362		95,673							107,339										
Commissions and royalties.....		141		2	79,421		76,092							76,094										
Rentals		222		2,333	30,115		109,590							111,923										
Interest on investments		31,199		24,692	1,000		15,407	\$	2,996			\$	32	43,127										
Interest on loan repayments.....							638							638										
Miscellaneous		132,053		102,788	217,686		205,200							307,988										
Colleges and universities.....								\$	2,873,347	\$	2,890,297	\$	1,328,442	\$	1,268,040	4,158,337								
Federal reimbursements and grants.....						\$	11,580,080		10,982,171						10,982,171									
Other reimbursements.....		100,250		65,311	1,231,334		1,156,242								1,221,553									
Bond issues:																								
State - general purpose.....														1,540,591	1,540,591									
Consolidated transportation bonds					700,000		300,000								300,000									
Premiums.....					125,378		171,213							48,393	219,606									
State reimbursements		486,819		502,792	320,693		265,123							18,010	785,925									
Appropriated from other funds								1,417,502		1,417,502					1,417,502									
Trust funds.....					7,951		569								569									
Revolving accounts.....		7,000		14,269	2,100		5,761								20,030									
Total revenues	\$	16,323,253	\$	16,151,613	\$	8,457,857	\$	7,734,957	\$	11,580,080	\$	10,985,167	\$	4,290,849	\$	4,307,799	\$	1,328,442	\$	1,268,040	\$	1,607,026	\$	42,054,602

STATE OF MARYLAND
Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis
For the Year Ended June 30, 2016
(Expressed in Thousands)

Expenditures and Encumbrances by Major Function*	Annual Budgeted Funds												Capital Projects Fund Actual	Total Actual										
	General Fund						Higher Education Funds																	
							Current Unrestricted Fund		Current Restricted Fund															
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual												
Payments of revenue to civil divisions of the State	\$	157,479	\$	157,479									\$	157,479										
Public debt			\$	866,978	\$	857,084	\$	11,511	\$	11,511				868,595										
Legislative		84,525		84,525										84,525										
Judicial review and legal		575,783		573,305		145,249		119,825		6,223		4,171		697,301										
Executive and administrative control.....		256,137		237,068		250,278		212,412		249,562		241,488		690,968										
Financial and revenue administration...		224,082		214,991		133,642		122,939						337,930										
Budget and management		89,614		88,860		32,423		23,831		3,893		579		113,270										
Retirement and pension						19,948		19,841						19,841										
General services		64,706		64,706		4,452		3,965		1,271		1,271		69,942										
Transportation and highways						3,881,052		3,737,565		873,443		810,089		4,547,654										
Natural resources and recreation		56,921		56,152		167,338		159,433		36,367		30,827		246,412										
Agriculture		27,326		27,117		42,901		35,571		4,596		3,893		66,581										
Health, hospitals and mental hygiene..		4,239,764		3,977,845		1,432,122		1,348,188		6,820,139		6,745,831		12,071,864										
Human resources		625,447		612,331		123,414		116,565		1,873,612		1,773,455		2,502,351										
Labor, licensing and regulation		45,236		44,196		137,322		109,364		186,407		170,551		324,111										
Public safety and correctional services...		1,228,110		1,197,881		144,814		138,789		29,645		28,240		1,364,910										
Public education		7,918,990		7,886,979		514,825		511,054		1,105,951		1,041,947	\$	4,290,849	\$	4,216,399	\$	1,328,442	\$	1,267,583		14,923,962		
Housing and community development.		20,382		20,352		117,791		101,369		280,385		273,258										394,979		
Business and economic development...		91,813		91,670		66,670		54,545		1,945		1,863										148,078		
Environment.....		32,750		32,117		272,159		257,622		79,551		74,785										364,524		
Juvenile services.....		279,087		269,774		4,906		3,276		7,361		5,393										278,443		
State police.....		256,984		256,965		99,573		95,424		8,218		4,600										356,989		
State reserve fund.....		113,935		92,500																		92,500		
Loan accounts		252,400		252,400																\$	1,229,521		1,481,921	
Reversions:																								
Current year reversions.....		(30,000)																						
Prior year reversions.....				(82,932)		(59,297)		(133,591)		(119)		(45)										(275,984)		
Total expenditures and encumbrances..	\$	16,611,471	\$	16,156,281	\$	8,457,857	\$	7,969,365	\$	11,580,080	\$	11,090,161	\$	4,290,849	\$	4,216,280	\$	1,328,442	\$	1,267,538	\$	1,229,521	\$	41,929,146

*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Changes in Fund Equities - Budgetary Basis
For the Year Ended June 30, 2016

(Expressed in Thousands)

					Higher Education Funds				Total
	General Fund		Special Fund		Current	Current	Capital		
	General	State Reserve	Special	Debt Service	Federal Fund	Unrestricted Fund	Restricted Fund	Projects Fund	
Fund equities, June 30, 2015.....	\$ 422,739	\$ 779,879	\$ 1,673,142	\$ 161,112		\$ 1,018,273	\$ 5,371	\$ 180,633	\$ 4,241,149
Increase:									
Revenues.....	16,060,186	91,427	6,817,235	917,722	\$ 10,985,167	4,307,799	1,268,040	1,607,026	42,054,602
Decrease:									
Appropriations	16,641,471		7,590,879	866,978	11,580,080	4,290,849	1,328,442	1,229,521	
Less: Current year reversions	(402,258)		(419,301)	(9,894)	(356,328)	(74,636)	(60,724)		
Prior year reversions.....	(82,932)		(59,440)		(133,591)	(119)	(45)		
Expenditures and encumbrances*	16,156,281		7,112,138	857,084	11,090,161	4,216,094	1,267,673	1,229,521	41,928,952
Changes to encumbrances during fiscal year 2016	(33,270)		(11,576)		(17,026)	305	(89)		(61,656)
Expenditures.....	16,123,011		7,100,562	857,084	11,073,135	4,216,399	1,267,584	1,229,521	41,867,296
Transfers in (out).....	159,293		401,494	6,422	87,968	(2,233)	275	3,785	657,004
Fund equities, June 30, 2016.....	\$ 519,207	\$ 871,306	\$ 1,791,309	\$ 228,172	\$	\$ 1,107,440	\$ 6,102	\$ 561,923	\$ 5,085,459
Fund Balance:									
Reserved:									
Encumbrances.....	\$ 134,704		\$ 743,688		\$ 343,979	\$ 840	\$ 333	\$ 661,482	\$ 1,885,026
State reserve fund.....		\$ 871,306							871,306
Loans and notes receivable.....				\$ 1,490					1,490
Shore erosion loan program.....			7,213						7,213
Gain/Loss on Investments.....			755						755
Unreserved:									
Designated for:									
General long-term debt service.....				226,682					226,682
2017 operations.....	551,358								551,358
Undesignated surplus (deficit).....	(166,855)		1,039,653		(343,979)	1,106,600	5,769	(99,559)	1,541,629
Total.....	\$ 519,207	\$ 871,306	\$ 1,791,309	\$ 228,172	\$	\$ 1,107,440	\$ 6,102	\$ 561,923	\$ 5,085,459

*Appropriations and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Funds Transferred to Political Subdivisions
For the Year Ended June 30, 2016 (1)
(Expressed in Thousands)

Subdivision	State Sources				Other Sources			Assessed Value of Real and Personal Property (2)	Amount Per \$100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered Local Revenue	Total		
Allegany.....	\$ 478	\$ 119,849	\$ 3,103	\$ 123,430	\$ 20,528	\$ 29,885	\$ 173,843	\$ 3,876,323	\$ 4.48
Anne Arundel	2,962	499,569	42,328	544,859	78,092	486,391	1,109,342	82,842,365	1.34
Baltimore County	4,176	884,989	46,328	935,493	151,477	720,305	1,807,275	81,614,065	2.21
Calvert.....	637	103,017	1,159	104,813	12,888	81,905	199,606	12,382,992	1.61
Caroline	402	79,510	2,902	82,814	12,544	13,035	108,393	2,598,261	4.17
Carroll.....	1,133	163,631	768	165,532	21,129	149,982	336,643	19,016,100	1.77
Cecil	654	137,937	7,206	145,797	22,417	59,899	228,113	9,751,918	2.34
Charles	965	220,499	2,497	223,961	28,342	125,876	378,179	17,050,160	2.22
Dorchester	445	56,379	548	57,372	13,327	13,726	84,425	2,870,169	2.94
Frederick	1,366	301,168	26,795	329,329	32,879	203,116	565,324	27,842,403	2.03
Garrett.....	535	38,348	210	39,093	9,913	14,983	63,989	4,516,851	1.42
Harford.....	1,398	280,387	8,613	290,398	40,308	221,273	551,979	27,165,943	2.03
Howard	1,605	336,571	26,913	365,089	39,510	434,799	839,398	48,980,878	1.71
Kent	229	19,719	839	20,787	5,814	13,456	40,057	2,944,935	1.36
Montgomery	3,740	944,824	43,463	992,027	144,006	1,423,243	2,559,276	184,555,149	1.39
Prince George's.....	2,980	1,315,365	20,664	1,339,009	194,992	564,719	2,098,720	84,335,490	2.49
Queen Anne's	535	54,732	7,001	62,268	9,399	52,337	124,004	7,785,968	1.59
St. Mary's	788	129,949	7,414	138,151	15,261	92,285	245,697	12,227,877	2.01
Somerset	282	44,042	1,805	46,129	19,517	7,640	73,286	1,440,030	5.09
Talbot	328	23,779	9	24,116	8,714	26,933	59,763	8,387,198	0.71
Washington	887	223,022	13,729	237,638	37,716	81,179	356,533	12,571,776	2.84
Wicomico	659	180,399	5,668	186,726	29,944	52,407	269,077	6,146,520	4.38
Worcester	519	37,346	58	37,923	15,039	24,806	77,768	15,073,340	0.52
Baltimore City	126,301	1,333,059	54,954	1,514,314	303,060	367,238	2,184,612	38,255,029	5.71
Total	\$ 154,004	\$ 7,528,090	\$ 324,974	\$ 8,007,068	\$ 1,266,816	\$ 5,261,418	\$ 14,535,302	\$ 714,231,740	

(1) In addition to the amounts shown for counties and Baltimore City, \$160,689,000 was distributed to municipalities within the counties.

(2) Source: Seventy-Second Report of the Department of Assessments and Taxation, dated January 2016. Assessed value of property is 100%

STATE OF MARYLAND
Schedule of Taxes Receivable from
Collectors of State Property Taxes
June 30, 2016

(Expressed in Thousands)

Political Subdivision	Taxes Receivable			Total
	Current Year	Prior Years		
Allegany.....	\$ 350	\$ 162	\$	512
Anne Arundel.....	210	992		1,202
Baltimore County.....	93	501		594
Calver	306	58		364
Caroline.....	10	38		48
Carroll.....	36	102		138
Cecil	13	122		135
Charles	38	121		159
Dorchester.....	168	188		356
Frederick.....	35	136		171
Garrett.....	209	110		319
Harford.....	19	158		177
Howard	31	941		972
Kent	162	51		213
Montgomery	220	164		384
Prince George's	123	431		554
Queen Anne's.....	20	28		48
St. Mary's	220	100		320
Somerset.....	148	301		449
Talbot.....	68	4		72
Washington.....	(17)	81		64
Wicomic.....	63	106		169
Worcester.....	420	81		501
Baltimore City	3,954	6,016		9,970
Total	\$ 6,899	\$ 10,992	\$	17,891

STATE OF MARYLAND
Schedule of Estimated Revenues - Budgetary Basis
For the Year Ending June 30, 2017
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income Taxes.....	\$ 10,134,354	\$ 224,153			\$	10,358,507
Retail sales and use tax and licenses.....	4,601,449	85,421				4,686,870
Motor vehicle fuel taxes and licenses.....		1,166,177				1,166,177
Motor vehicle tax and licenses.....		1,260,200				1,260,200
Property taxes.....	62,771	890,268 (1)				953,039
Insurance company taxes, licenses and fees..	308,658					308,658
Franchise and corporation taxes.....	249,252					249,252
State tobacco tax and licenses.....	390,869					390,869
Alcoholic beverages taxes and licenses.....	33,187					33,187
Death taxes.....	198,502					198,502
Miscellaneous taxes, fees and other revenues	170,398	118,003 (1)	\$ 11,539 (1)			299,940
Budgeted tobacco settlement recoveries.....		154,128				154,128
Horse racing taxes and licenses.....		3,136				3,136
District courts fines and costs.....	77,619					77,619
Interest on investments.....	20,000	2,000				22,000
Hospital patient recoveries.....	58,348					58,348
Legislative.....	42					42
Judicial review and legal.....	71,345	119,731	4,302			195,378
Executive and administrative control.....	7,989	269,654	219,749			497,392
Financial and revenue administration.....	14,726	62,629				77,355
Budget and management.....	4,850	31,967	8,713			45,530
Maryland lottery and gaming control.....	521,632	536,198				1,057,830
Information technology development.....		26,022	397			26,419
Retirement and pension.....		21,965				21,965
General services.....	77	4,084	1,294			5,455
Transportation and highways.....		1,353,497	1,183,450			2,536,947
Natural resources and recreation.....	158	89,631	36,790			126,579
Agriculture.....	134	32,776	3,626			36,536
Health, hospitals and mental hygiene.....	35,784	1,252,740	6,962,129			8,250,653
Human resources.....	849	113,490	1,839,142			1,953,481
Labor, licensing and regulation.....	12,297	169,652	195,094			377,043
Public safety and correctional services.....	10,355	140,682	32,846			183,883
Public education.....	8,855	64,959	1,178,378	\$ 4,368,374	\$ 1,308,104	6,928,670
Housing and community development.....	426	120,019	261,580			382,025
Commerce.....	327	51,058	9,487			60,872
Maryland technology development corporation		7,344				7,344
Environment.....	843	298,604	77,771			377,218
Juvenile services.....		3,864	4,836			8,700
State police.....	4,112	96,307	9,701			110,120
Total estimated revenues (2).....	\$ 17,000,208	\$ 8,770,359	\$ 12,040,824	\$ 4,368,374	\$ 1,308,104	\$ 43,487,869

(1) Includes \$904,179,000 recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2016, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND
Schedule of General, Special, Federal, Current Unrestricted
and Current Restricted Fund Appropriations - Budgetary Basis
For the Year Ending June 30, 2017
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State.....	\$ 164,378				\$	164,378
Public debt.....	283,000	\$ 892,640 ⁽¹⁾	\$ 11,539			1,187,179
Legislative.....	87,648					87,648
Judicial review and legal.....	605,110	120,663	4,302			730,075
Executive and administrative control.....	281,058	272,654	219,749			773,461
Financial and revenue administration.....	233,039	139,982				373,021
Budget and management.....	170,614	57,989	9,110			237,713
Retirement and pension.....		21,965				21,965
General services	67,797	4,084	1,294			73,175
Transportation and highways.....		3,973,141	1,183,450			5,156,591
Natural resources and recreation	59,126	239,050	36,790			334,966
Agriculture	29,264	56,237	3,626			89,127
Health, hospitals and mental hygiene.....	4,349,337	1,389,030	6,962,129			12,700,496
Human resources.....	624,258	113,490	1,839,142			2,576,890
Labor, licensing and regulation.....	44,902	171,312	195,094			411,308
Public safety and correctional services	1,230,201	140,682	32,846			1,403,729
Public education.....	8,048,901	600,242	1,178,378	\$ 4,368,374	\$ 1,308,104	15,503,999
Housing and community development.....	28,005	120,019	261,580			409,604
Commerce	92,606	51,058	9,487			153,151
Maryland technology development corporation.	19,467	7,345				26,812
Environment	32,014	298,605	77,771			408,390
Juvenile justice.....	282,911	3,864	4,836			291,611
State police.....	266,635	96,307	9,701			372,643
State reserve fund.....	235,336					235,336
Total appropriations (2).....	\$ 17,235,607	\$ 8,770,359	\$ 12,040,824	\$ 4,368,374	\$ 1,308,104	\$ 43,723,268

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2016, and do not reflect revisions, if any, subsequent to that date.



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